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INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Jonesville
Jonesville, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Jonesville, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles general accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Jonesville, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 33 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Jonesville's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013, on our consideration of the Village of Jonesville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Jonesville's internal control over financial reporting and compliance.

Bailey, Hodshire & Company, P.C.

Jonesville, Michigan
November 14, 2013

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2013

Introduction

This section of the annual financial report presents management's discussion and analysis of the Village's financial performance during the year ended June 30, 2013. Please read it in conjunction with the Village's financial statements, which immediately follow this section.

Financial Highlights

- The Village's assets exceeded its liabilities by \$11,815,889 (net position) at the close of this fiscal year. Net position at the beginning of the fiscal year totaled \$11,817,772, showing a decrease of \$1,883 during the current year.
- The Village's governmental funds reported total ending fund balance of \$1,331,364 of which \$683,776 is unassigned and unrestricted, and available for spending at the Village's discretion. This compares to the prior year ending fund balance of \$1,468,393 showing a decrease of \$137,029 during the current year.
- At the end of the current year, fund balance for the General Fund was \$697,203, or 69.2% of General Fund expenditures, net of capital outlay totaling \$293,618. This is a decrease of \$219,725 from last year's ending fund balance.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the Village's basic financial statements. The basic financial statements include: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Village also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, similar to that found in private sector business.

Statement of Net Position- This statement presents information of all of the Village's assets and liabilities, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the Village's financial condition as a whole is improving or deteriorating.

Statement of Activities - This reports how the Village's net position changed during the fiscal year. All current year revenues and expenses are included regardless of when the cash is received or paid. An important purpose of this statement is to show the financial reliance of the Village's distinct activities or functions on revenues provided by the taxpayers.

Both of the above statements distinguish governmental activities from business-type activities. Governmental activities include general government, public safety, public services, zoning, and recreation, and are principally supported by property taxes and revenues from other governments. Business-type activities include water and sewer, and are intended to recover all or a significant portion of their costs through user fees and charges.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2013

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the Village's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, these statements report short-term fiscal accountability focusing on the use of expendable resources during the year and balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide reconciliations to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included as required supplementary information for the general fund and major special revenue funds. These statements and schedules demonstrate compliance with the Village's adopted and final revised budget.

Proprietary Funds generally report services for which the Village charges customers a fee. There are two types of proprietary funds: Enterprise Funds and Internal Service Funds. Enterprise Funds are used to report functions presented as business-type activities, while Internal Service Funds primarily service the governmental unit and are included with governmental activities. The Water and Sewer Funds are Enterprise Funds, and the Motor Vehicle Pool is an Internal Service Fund.

Fiduciary Funds such as the imprest payroll fund are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund Village Programs.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information can be found immediately following the notes to the financial statements. This information includes budgetary comparison statements for all major funds.

Other Supplementary Information includes statements for non-major governmental funds.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Village's financial position. The Village's assets exceeded its liabilities by \$11,815,889 (net position) at the close of this fiscal year. Net position at the beginning of the fiscal year totaled \$11,817,772, showing a decrease of \$1,883 over the prior year.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2013

The following table provides a summary of the Village's net position:

NET POSITION

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Current Assets	\$ 1,985,664	\$ 1,825,989	\$ 1,729,463	\$ 1,513,096	\$ 3,715,127	\$ 3,339,085
Non-current Assets	<u>5,635,816</u>	<u>5,587,971</u>	<u>8,554,269</u>	<u>8,251,489</u>	<u>14,190,085</u>	<u>13,839,460</u>
Total Assets	<u>\$ 7,621,480</u>	<u>\$ 7,413,960</u>	<u>\$10,283,732</u>	<u>\$ 9,764,585</u>	<u>\$17,905,212</u>	<u>\$17,178,545</u>
Current Liabilities	\$ 284,733	\$ 158,484	\$ 206,880	\$ 195,623	\$ 491,613	\$ 354,107
Non-current Liabilities	<u>1,453,293</u>	<u>1,286,477</u>	<u>4,142,534</u>	<u>3,722,072</u>	<u>5,595,827</u>	<u>5,008,549</u>
Total Liabilities	<u>\$ 1,738,026</u>	<u>\$ 1,444,961</u>	<u>\$ 4,349,414</u>	<u>\$ 3,917,695</u>	<u>\$ 6,087,440</u>	<u>\$ 5,362,656</u>
Net Position:						
Invested in Capital Assets, Net of Related Debt	\$ 4,142,873	\$ 4,296,498	\$ 4,277,884	\$ 4,411,747	\$ 8,420,757	\$ 8,708,245
Restricted	3,947	0	1,052,403	1,047,852	1,056,350	1,047,852
Unrestricted	<u>1,736,634</u>	<u>1,672,501</u>	<u>604,031</u>	<u>387,291</u>	<u>2,340,665</u>	<u>2,059,792</u>
Total Net Position	<u>\$ 5,883,454</u>	<u>\$ 5,968,999</u>	<u>\$ 5,934,318</u>	<u>\$ 5,846,890</u>	<u>\$11,817,772</u>	<u>\$11,815,889</u>

The Village reported positive net position for governmental and business-type activities. Net position increased \$85,545 for governmental activities and decreased \$87,428 for business-type activities; therefore, the Village's overall financial position decreased during fiscal year 2013.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2013

The following table reflects the change in net position of the Village's governmental and business-type activities:

CHANGES IN NET POSITION

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>		<u>Primary</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Program Revenue						
Charges for Services	\$ 83,657	\$ 88,451	\$ 999,696	\$ 981,531	\$ 1,083,353	\$ 1,069,982
Operating Grants and Contributions	317,810	473,983	345,000	0	662,810	473,983
Capital Grants and Contributions	189,116	2,690	0	0	189,116	2,690
General Revenue						
Property Taxes	706,039	719,023	0	0	706,039	719,023
State Shared Revenue	195,982	239,914	0	0	195,982	239,914
Unrestricted Investment Income	1,338	1,780	2,269	2,281	3,607	4,061
Other	<u>36,457</u>	<u>28,277</u>	<u>24,366</u>	<u>24,421</u>	<u>60,823</u>	<u>52,698</u>
Total Revenue	<u>\$ 1,530,399</u>	<u>\$ 1,554,118</u>	<u>\$ 1,371,331</u>	<u>\$ 1,008,233</u>	<u>\$ 2,901,730</u>	<u>\$ 2,562,351</u>
Expenses						
General Government	\$ 390,036	\$ 415,662	\$ 0	\$ 0	\$ 390,036	\$ 415,662
Public Safety	557,013	534,201	0	0	557,013	534,201
Economic & Community Development	12,660	5,959	0	0	12,660	5,959
Public Improvements	111,246	86,801	0	0	111,246	86,801
Streets, Highways, Drains	308,766	300,281	0	0	308,766	300,281
Sanitation	5,437	4,057	0	0	5,437	4,057
Culture & Recreation	78,335	63,791	0	0	78,335	63,791
Interest on Long-Term Debt	42,760	59,133	0	0	42,760	59,133
Depreciation - Unallocated	45,635	45,842	0	0	45,635	45,842
Water Utility	0	0	280,672	296,377	280,672	296,377
Sewer Utility	<u>0</u>	<u>0</u>	<u>797,913</u>	<u>752,130</u>	<u>797,913</u>	<u>752,130</u>
Total Expenses	<u>\$ 1,551,888</u>	<u>\$ 1,515,727</u>	<u>\$ 1,078,585</u>	<u>\$ 1,048,507</u>	<u>\$ 2,630,473</u>	<u>\$ 2,564,234</u>
Excess (deficiency)	\$ (21,489)	\$ 38,391	\$ 292,746	\$ (40,274)	\$ 271,257	\$ (1,883)
Transfers	<u>45,000</u>	<u>47,154</u>	<u>(45,000)</u>	<u>(47,154)</u>	<u>0</u>	<u>0</u>
CHANGE IN NET POSITION	<u>\$ 23,511</u>	<u>\$ 85,545</u>	<u>\$ 247,746</u>	<u>\$ (87,428)</u>	<u>\$ 271,257</u>	<u>\$ (1,883)</u>

Governmental Activities increased the Village's net position by \$85,545. This represents an increase from last year's change in net position.

Revenues from governmental activities totaled \$1,554,118. Property tax revenue represented the largest portion of those revenues (46.2%), operating grants and contributions was 30.5%, state shared revenue was 15.4%, and capital grants and contributions was .17% of the total.

The largest components of governmental activities' expenses were public safety (35.2%), general government (27.4%), and streets, highways, and drains (19.8%). General government consists of Village Council, Administration, Motor Vehicle Pool, etc. Public safety includes police and fire.

Business-type Activities decreased the Village's net position by \$87,428. Net position will be used to repay debt on the sewer and water improvements, as well as planning for future improvements in the water and sewer systems. The decrease in net position is due to early retirement of Water Fund debt.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2013

Governmental Funds - The focus of the Village's governmental funds is to provide information on short-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of June 30, 2013, the Village's governmental funds reported combined ending fund balances of \$1,331,364. Of this total, approximately 51.3% was unrestricted and unassigned, indicating availability for continuing Village service requirements. Although a substantial amount is unrestricted, future plans include rail-trail development, downtown streetscape rehabilitation, and other projects.

The General Fund is the primary operating fund of the Village. At the end of the current fiscal year, the General Fund showed a healthy fund balance of \$697,203. Other Major Governmental Funds include Major and Local Streets. Non-major governmental funds include the State Highway and Debt Service funds. The Major Street Fund experienced an increase of \$21,236 in fund balance. The Local Street Fund experienced an increase of \$64,772 in fund balance.

Proprietary Funds - The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The Village's proprietary funds consist of the Water Fund, Sewer Fund, and the Motor Vehicle Pool. Total net position of the Water and Sewer Funds was \$5,846,890 at June 30, 2013, a decrease of \$87,428 from the previous fiscal year, due to the early retirement of water bonds. The Motor Vehicle Pool's net position at the end of this fiscal year was \$765,377, a decrease of \$14,314 from the previous fiscal year. The Motor Vehicle Pool reduction is due to a decline in equipment rent revenue.

Major Governmental Funds Budgeting and Operating Highlights

General Fund - The difference between the original and final amended budget for General Fund revenues was \$124,575, with the original budget being \$1,071,945, and the final budget being \$947,370. The difference between the two numbers includes a decrease in Contributions from Component Units. The difference between the appropriations originally budgeted and the final appropriations budget was \$44,041 (\$1,209,757 vs. \$1,253,798). General Government expenditures increased by \$20,421; Public Safety decreased by \$14,216; Planning and Zoning decreased by \$1,400; Public Works increased by \$12,700; Streets, Highways, and Drains increased by \$1,500; Culture and Recreation increased by \$6,060; and Capital Outlay increased by \$19,936. Capital expenditures include: acquisition of rail-trail property, police and fire safety equipment, repairs to the Village Hall, improvements to the police building, and reconstruction of the North Downtown Parking Lot.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2013

Capital Asset and Debt Administration

Capital assets at year-end were as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Primary Government</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Land	\$ 139,995	\$ 194,995	\$ 2,061	\$ 2,061	\$ 142,056	\$ 197,056
Land Improvements	116,243	116,243	0	0	116,243	116,243
Buildings and Improvements	808,823	867,317	0	0	808,823	867,317
Facilities and Mains	0	0	14,149,156	14,198,140	14,149,156	14,198,140
Furniture and Equipment	764,355	773,958	535,581	543,221	1,299,936	1,317,179
Vehicles	1,147,381	1,147,381	0	0	1,147,381	1,147,381
Infrastructure	5,187,306	5,358,915	0	0	5,187,306	5,358,915
Less: Acc. Depreciation	<u>(2,528,287)</u>	<u>(2,870,838)</u>	<u>(6,143,639)</u>	<u>(6,491,933)</u>	<u>(8,671,926)</u>	<u>(9,362,771)</u>
Total Capital Assets, Net Of Depreciation	<u>\$ 5,635,816</u>	<u>\$ 5,587,971</u>	<u>\$ 8,543,159</u>	<u>\$ 8,251,489</u>	<u>\$14,178,975</u>	<u>\$13,839,460</u>

Bonds and contracts outstanding at year-end were as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Primary Government</u>	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
General Government	\$ 1,485,000	\$ 1,283,000	\$ 0	\$ 0	\$ 1,485,000	\$ 1,283,000
Revenue Bonds	0	0	3,900,000	3,758,000	3,900,000	3,758,000
County Contract	<u>0</u>	<u>0</u>	<u>295,000</u>	<u>0</u>	<u>295,000</u>	<u>0</u>
Total Long-Term Debt	<u>\$ 1,485,000</u>	<u>\$ 1,283,000</u>	<u>\$ 4,195,000</u>	<u>\$ 3,758,000</u>	<u>\$ 5,680,000</u>	<u>\$ 5,041,000</u>

Factors Bearing on the Village's Future

National and state economic conditions have resulted in reduced revenues, requiring a reduction in expenditures while maintaining quality services. We must be mindful of potential impacts resulting from personal property tax reform. These economic conditions have acted as a catalyst for us to focus on planning for our future. This has been accomplished by reviewing and revising the Village's strategic plans, including the Joint Recreation and Master Plans, the Downtown Development Authority Plan, and the Local Development Finance Authority Plan. We continue to depend on state constitutional revenue sharing, and are in compliance with the State of Michigan's Economic Vitality Incentive Program (EVIP). EVIP dollars are being used solely for capital expenditures. Regional collaboration continues to be actively pursued with other area public and private entities. Economic development activities must be realized through an open-system environment.

The 2013/14 focus will be continued investment in our infrastructure, while providing best-value services to our citizens. Our effort to achieve community sustainability and improve quality of life focuses on the critical assets of place-making. Those assets include green initiatives, technology, walkability, cultural economic development, physical design, and entrepreneurship. We strive to establish more public/private partnerships and promote small business development. These ideas allow us to build a better community for the 21st century.

Contacting the Village's Financial Management

This report is designed to provide a general overview of the Village of Jonesville's finances. Questions or comments concerning any of the information provided in this report should be addressed to Jeff Gray, Village Manager, or Lenore Spahr, Finance Director/Treasurer, Village of Jonesville, 265 East Chicago Street, Jonesville, Michigan 49250.

VILLAGE OF JONESVILLE
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 142,022	\$ 117,068	\$ 259,090	\$ 38,802
Investments	1,589,529	1,359,770	2,949,299	403,225
Accounts Receivable	12,986	31,389	44,375	112,279
Internal Balances	75	(75)	0	0
Due from Other Governmental Units	67,274	0	67,274	0
Inventory	4,255	3,971	8,226	0
Prepaid Expense	9,848	973	10,821	23
Total Current Assets	<u>\$ 1,825,989</u>	<u>\$ 1,513,096</u>	<u>\$ 3,339,085</u>	<u>\$ 554,329</u>
Noncurrent Assets				
Capital Assets - Not Depreciated	\$ 194,995	\$ 2,061	\$ 197,056	\$ 97,544
Other Capital Assets - Net of Depreciation	5,392,976	8,249,428	13,642,404	0
Total Noncurrent Assets	<u>\$ 5,587,971</u>	<u>\$ 8,251,489</u>	<u>\$13,839,460</u>	<u>\$ 97,544</u>
Total Assets	<u>\$ 7,413,960</u>	<u>\$ 9,764,585</u>	<u>\$17,178,545</u>	<u>\$ 651,873</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 36,544	\$ 27,706	\$ 64,250	\$ 1,925
Accrued Payroll	10,467	2,575	13,042	0
Customer Deposits	0	600	600	0
Interest Payable	8,473	81,742	90,215	0
Current Portion of Long-Term Debt	103,000	83,000	186,000	0
Total Current Liabilities	<u>\$ 158,484</u>	<u>\$ 195,623</u>	<u>\$ 354,107</u>	<u>\$ 1,925</u>
Noncurrent Liabilities				
Bonds, County Contract	\$ 1,180,000	\$ 3,675,000	\$ 4,855,000	\$ 0
Compensated Absences	106,477	47,072	153,549	0
Total Noncurrent Liabilities	<u>\$ 1,286,477</u>	<u>\$ 3,722,072</u>	<u>\$ 5,008,549</u>	<u>\$ 0</u>
Total Liabilities	<u>\$ 1,444,961</u>	<u>\$ 3,917,695</u>	<u>\$ 5,362,656</u>	<u>\$ 1,925</u>
NET POSITION				
Invested in Capital Assets, Net of Related Debt	\$ 4,296,498	\$ 4,411,747	\$ 8,708,245	\$ 97,544
Restricted for: Replacement	0	686,640	686,640	0
Debt Service	0	361,212	361,212	0
Unrestricted	1,672,501	387,291	2,059,792	552,404
Total Net Position	<u>\$ 5,968,999</u>	<u>\$ 5,846,890</u>	<u>\$11,815,889</u>	<u>\$ 649,948</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF JONESVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government:					
Governmental Activities:					
General Government	\$ 415,662	\$ 14,094	\$ 247,170	\$ 0	\$ (154,398)
Public Safety	534,201	56,102	0	0	(478,099)
Economic & Community Development	5,959	1,250	0	0	(4,709)
Public Works	86,801	0	0	0	(86,801)
Streets, Highways, and Drains	300,281	0	203,298	2,690	(94,293)
Sanitation	4,057	0	0	0	(4,057)
Culture and Recreation	63,791	17,005	23,515	0	(23,271)
Interest on Long-Term Debt	59,133	0	0	0	(59,133)
Depreciation - Unallocated ¹	45,842	0	0	0	(45,842)
Total Governmental Activities	<u>\$ 1,515,727</u>	<u>\$ 88,451</u>	<u>\$ 473,983</u>	<u>\$ 2,690</u>	<u>\$ (950,603)</u>
Business-type Activities:					
Water	\$ 296,377	\$ 296,524	\$ 0	\$ 0	\$ 147
Sewer	752,130	685,007	0	0	(67,123)
Total Business-type Activities	<u>\$ 1,048,507</u>	<u>\$ 981,531</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (66,976)</u>
Total Primary Government	<u>\$ 2,564,234</u>	<u>\$ 1,069,982</u>	<u>\$ 473,983</u>	<u>\$ 2,690</u>	<u>\$ (1,017,579)</u>
Component Units:					
Downtown Development Authority	\$ 260,440	\$ 0	\$ 37,000	\$ 175,000	\$ (48,440)
Local Development Finance Authority	81,956	0	0	0	(81,956)
Total Component Units	<u>\$ 342,396</u>	<u>\$ 0</u>	<u>\$ 37,000</u>	<u>\$ 175,000</u>	<u>\$ (130,396)</u>
Primary Government					
		<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
Change in Net Position:					
Net (Expense) Revenue		\$ (950,603)	\$ (66,976)	\$ (1,017,579)	\$ (130,396)
General Revenue:					
Property Taxes Levied for General Purposes		\$ 515,751	\$ 0	\$ 515,751	\$ 0
Property Taxes Levied for Local Streets		203,272	0	203,272	0
Property Taxes Captured		0	0	0	336,176
State Shared Revenue		239,914	0	239,914	0
Unrestricted Investment Income		1,780	2,281	4,061	271
Miscellaneous		28,277	24,421	52,698	14,074
Total General Revenue		<u>\$ 988,994</u>	<u>\$ 26,702</u>	<u>\$ 1,015,696</u>	<u>\$ 350,521</u>
Excess (deficiency)		\$ 38,391	\$ (40,274)	\$ (1,883)	\$ 220,125
Transfers		47,154	(47,154)	0	0
Change in Net Position		\$ 85,545	\$ (87,428)	\$ (1,883)	\$ 220,125
Net Position – Beginning		<u>5,883,454</u>	<u>5,934,318</u>	<u>11,817,772</u>	<u>429,823</u>
Net Position – Ending		<u>\$ 5,968,999</u>	<u>\$ 5,846,890</u>	<u>\$ 11,815,889</u>	<u>\$ 649,948</u>

¹This amount does not include depreciation that is reported in the direct expenses of the various programs.

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 63,303	\$ 27,011	\$ 18,852	\$ 1,483	\$ 110,649
Investments	613,435	30,013	529,337	0	1,172,785
Accounts Receivable	12,799	0	0	0	12,799
Due from Other Funds	545	0	0	0	545
Due from Other Governmental Units	32,191	21,486	7,910	5,687	67,274
Inventory	4,255	0	0	0	4,255
Prepaid Expenditures	<u>9,172</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,172</u>
Total Assets	<u>\$ 735,700</u>	<u>\$ 78,510</u>	<u>\$ 556,099</u>	<u>\$ 7,170</u>	<u>\$ 1,377,479</u>
LIABILITIES					
Accounts Payable	\$ 30,416	\$ 1,509	\$ 594	\$ 1,035	\$ 33,554
Due to Other Funds	254	852	494	801	2,401
Salaries Payable	<u>7,827</u>	<u>1,222</u>	<u>888</u>	<u>223</u>	<u>10,160</u>
Total Liabilities	<u>\$ 38,497</u>	<u>\$ 3,583</u>	<u>\$ 1,976</u>	<u>\$ 2,059</u>	<u>\$ 46,115</u>
FUND BALANCES					
Nonspendable	\$ 13,427	\$ 0	\$ 0	\$ 0	\$ 13,427
Restricted	0	74,927	554,123	5,111	634,161
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Unassigned	<u>683,776</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>683,776</u>
Total Fund Balances	<u>\$ 697,203</u>	<u>\$ 74,927</u>	<u>\$ 554,123</u>	<u>\$ 5,111</u>	<u>\$ 1,331,364</u>
Total Liabilities and Fund Balances	<u>\$ 735,700</u>	<u>\$ 78,510</u>	<u>\$ 556,099</u>	<u>\$ 7,170</u>	<u>\$ 1,377,479</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Position of
Governmental Activities on the Statement of Net Position
June 30, 2013

Fund Balances - total governmental funds	\$ 1,331,364
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: Capital assets	8,458,809
Deduct: Accumulated depreciation	(2,870,838)

An Internal Service Fund is used by management to charge the cost of equipment and vehicle usage to individual funds. Assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net position.

Add: Internal Service Fund assets	450,911
Deduct: Internal Service Fund liabilities	(3,297)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: Bonds and notes payable	(1,283,000)
Deduct: Accrued interest on bonds and notes payable	(8,473)
Deduct: Compensated absences	<u>(106,477)</u>

Net position of governmental activities	<u>\$ 5,968,999</u>
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The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUE					
Property Taxes	\$ 525,114	\$ 0	\$ 203,272	\$ 0	\$ 728,386
Licenses and Permits	1,035	0	0	0	1,035
State Shared Revenue	239,914	136,075	42,462	0	418,451
Charges and Fees	61,048	0	0	0	61,048
State Highway Contract	0	0	0	22,620	22,620
Recreation	40,520	0	0	0	40,520
Rents and Royalties	12,266	0	0	0	12,266
Contributions	5,353	0	2,141	0	7,494
Reimbursements	0	0	0	0	0
Interest	1,105	21	645	9	1,780
Contributions from Component Units	84,698	2,690	0	157,118	244,506
Miscellaneous	15,397	113	502	0	16,012
Total Revenue	<u>\$ 986,450</u>	<u>\$ 138,899</u>	<u>\$ 249,022</u>	<u>\$ 179,747</u>	<u>\$ 1,554,118</u>
EXPENDITURES					
General Government	\$ 415,886	\$ 0	\$ 0	\$ 0	\$ 415,886
Public Safety	443,671	0	0	0	443,671
Economic & Community Development	5,959	0	0	0	5,959
Public Works	49,709	0	0	0	49,709
Streets, Highways, and Drains	36,496	69,384	58,896	19,930	184,706
Sanitation	4,057	0	0	0	4,057
Culture and Recreation	52,052	0	0	0	52,052
Capital Outlay	293,618	0	0	0	293,618
Debt Service – Principal	0	0	0	202,000	202,000
- Interest	0	0	0	58,603	58,603
Total Expenditures	<u>\$ 1,301,448</u>	<u>\$ 69,384</u>	<u>\$ 58,896</u>	<u>\$ 280,533</u>	<u>\$ 1,710,261</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (314,998)</u>	<u>\$ 69,515</u>	<u>\$ 190,126</u>	<u>\$(100,786)</u>	<u>\$ (156,143)</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	\$ 118,312	\$ 0	\$ 0	\$ 99,530	\$ 217,842
Operating Transfers Out	(23,039)	(48,279)	(125,354)	(2,056)	(198,728)
Total Other Financing Sources (Uses)	<u>\$ 95,273</u>	<u>\$ (48,279)</u>	<u>\$ (125,354)</u>	<u>\$ 97,474</u>	<u>\$ 19,114</u>
NET CHANGE IN FUND BALANCES	\$ (219,725)	\$ 21,236	\$ 64,772	\$ (3,312)	\$ (137,029)
FUND BALANCES – Beginning	<u>916,928</u>	<u>53,691</u>	<u>489,351</u>	<u>8,423</u>	<u>1,468,393</u>
FUND BALANCES – Ending	<u>\$ 697,203</u>	<u>\$ 74,927</u>	<u>\$ 554,123</u>	<u>\$ 5,111</u>	<u>\$ 1,331,364</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
Reconciliation of Statement of Revenue, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2013

Net changes in fund balances - total governmental funds \$ (137,029)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: Capital outlay	296,308
Deduct: Depreciation expense	(344,648)

An Internal Service Fund is used by management to charge the cost of equipment and vehicle usage to individual funds. Net revenue of the Internal Service Fund of (before depreciation) is reported with governmental activities in the statement of net position.

55,628

Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Add: Principal payments on long-term debt	202,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct: Increase in interest payable on long-term liabilities	(530)
Add: Decrease in accrual for compensated absences	<u>13,816</u>

Change in net position of governmental activities	<u>\$ 85,545</u>
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The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	<u>Enterprise Funds</u>		Total	Internal
	<u>Water</u>	<u>Sewer</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Current Assets				
Cash	\$ 11,323	\$ 23,993	\$ 35,316	\$ 31,373
Investments	278,546	115,124	393,670	416,744
Accounts Receivable	9,273	22,116	31,389	187
Due from Other Funds	0	327	327	1,931
Inventory	2,350	1,621	3,971	0
Prepaid Expense	<u>165</u>	<u>808</u>	<u>973</u>	<u>676</u>
Total Current Assets	<u>\$ 301,657</u>	<u>\$ 163,989</u>	<u>\$ 465,646</u>	<u>\$ 450,911</u>
Restricted Assets				
General Purpose	\$ 0	\$ 16,360	\$ 16,360	\$ 0
Bond Interest and Redemption	0	98,214	98,214	0
Bond Reserve	0	262,999	262,999	0
Replacement	<u>0</u>	<u>670,279</u>	<u>670,279</u>	<u>0</u>
Total Restricted Assets	<u>\$ 0</u>	<u>\$ 1,047,852</u>	<u>\$ 1,047,852</u>	<u>\$ 0</u>
Noncurrent Assets				
Capital Assets - Not Depreciated	\$ 2,061	\$ 0	\$ 2,061	\$ 0
Other Capital Assets, Net of Accumulated Depreciation	<u>1,563,579</u>	<u>6,685,849</u>	<u>8,249,428</u>	<u>317,763</u>
Total Noncurrent Assets	<u>\$ 1,565,640</u>	<u>\$ 6,685,849</u>	<u>8,251,489</u>	<u>\$ 317,763</u>
Total Assets	<u>\$ 1,867,297</u>	<u>\$ 7,897,690</u>	<u>\$ 9,764,987</u>	<u>\$ 768,674</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 5,129	\$ 22,577	\$ 27,706	\$ 2,990
Accrued Payroll	754	1,821	2,575	307
Due to Other Funds	374	28	402	0
Customer Deposits	<u>300</u>	<u>300</u>	<u>600</u>	<u>0</u>
Total Current Liabilities	<u>\$ 6,557</u>	<u>\$ 24,726</u>	<u>\$ 31,283</u>	<u>\$ 3,297</u>
Liabilities Payable from Restricted Assets				
Accrued Interest Payable	\$ 0	\$ 81,742	\$ 81,742	\$ 0
Revenue Bonds - Current	<u>0</u>	<u>83,000</u>	<u>83,000</u>	<u>0</u>
Total Liabilities Payable from Restricted Assets	<u>\$ 0</u>	<u>\$ 164,742</u>	<u>\$ 164,742</u>	<u>\$ 0</u>
Noncurrent Liabilities				
Revenue Bonds/USDA Loan Payable	\$ 0	\$ 3,675,000	\$ 3,675,000	\$ 0
Compensated Absences	<u>19,746</u>	<u>27,326</u>	<u>47,072</u>	<u>0</u>
Total Noncurrent Liabilities	<u>\$ 19,746</u>	<u>\$ 3,702,326</u>	<u>\$ 3,722,072</u>	<u>\$ 0</u>
Total Liabilities	<u>\$ 26,303</u>	<u>\$ 3,891,794</u>	<u>\$ 3,918,097</u>	<u>\$ 3,297</u>
NET POSITION				
Invested in Capital Assets, Net of Related Debt	\$ 1,565,640	\$ 2,846,107	\$ 4,411,747	\$ 317,763
Restricted by Bond Covenants	0	1,047,852	1,047,852	0
Unrestricted	<u>275,354</u>	<u>111,937</u>	<u>387,291</u>	<u>447,614</u>
Total Net Position	<u>\$ 1,840,994</u>	<u>\$ 4,005,896</u>	<u>\$ 5,846,890</u>	<u>\$ 765,377</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Enterprise Funds</u>		<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>		
OPERATING REVENUE				
Sales	\$ 291,974	\$ 685,007	\$ 976,981	\$ 0
Connections Fees	100	0	100	0
Equipment Rental	4,450	0	4,450	82,379
Other	<u>11,926</u>	<u>12,495</u>	<u>24,421</u>	<u>0</u>
Total Operating Revenue	<u>\$ 308,450</u>	<u>\$ 697,502</u>	<u>\$ 1,005,952</u>	<u>\$ 82,379</u>
OPERATING EXPENSES				
Sewage Disposal	\$ 0	\$ 316,284	\$ 316,284	\$ 0
Water Plant Operation	140,920	0	140,920	0
Water Distribution Expenses	45,727	0	45,727	0
Depreciation	87,840	260,454	348,294	69,942
Motor Vehicle Expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>69,078</u>
Total Operating Expenses	<u>\$ 274,487</u>	<u>\$ 576,738</u>	<u>\$ 851,225</u>	<u>\$ 139,020</u>
OPERATING INCOME (LOSS)	<u>\$ 33,963</u>	<u>\$ 120,764</u>	<u>\$ 154,727</u>	<u>\$ (56,641)</u>
NON-OPERATING REVENUE (EXPENSES)				
Interest Income	\$ 929	\$ 1,352	\$ 2,281	\$ 427
Interest Expense	<u>(21,890)</u>	<u>(175,392)</u>	<u>(197,282)</u>	<u>0</u>
Total Non-operating Revenue (Expense)	<u>\$ (20,961)</u>	<u>\$ (174,040)</u>	<u>\$ (195,001)</u>	<u>\$ 427</u>
Income (Loss) Before Contributions and Transfers	<u>\$ 13,002</u>	<u>\$ (53,276)</u>	<u>\$ (40,274)</u>	<u>\$ (56,214)</u>
CONTRIBUTIONS AND TRANSFERS				
Contributions from Other Governments	\$ 0	\$ 0	\$ 0	\$ 13,861
Transfers From Other Funds	0	0	0	28,039
Transfers To Other Funds	<u>(22,077)</u>	<u>(25,077)</u>	<u>(47,154)</u>	<u>0</u>
Total Contributions and Transfers	<u>\$ (22,077)</u>	<u>\$ (25,077)</u>	<u>\$ (47,154)</u>	<u>\$ 41,900</u>
CHANGE IN NET POSITION	<u>\$ (9,075)</u>	<u>\$ (78,353)</u>	<u>\$ (87,428)</u>	<u>\$ (14,314)</u>
NET POSITION – Beginning	<u>1,850,069</u>	<u>4,084,249</u>	<u>5,934,318</u>	<u>779,691</u>
NET POSITION – Ending	<u>\$ 1,840,994</u>	<u>\$ 4,005,896</u>	<u>\$ 5,846,890</u>	<u>\$ 765,377</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF JONESVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 298,388	\$ 697,545	\$ 995,933	\$ 0
Cash received from interfund services provided	0	0	0	93,050
Cash payments to suppliers for goods and services	(124,550)	(169,312)	(293,862)	(49,673)
Cash payments to employees and professional contractors for services	(68,863)	(128,944)	(197,807)	(21,337)
Other operating receipts	<u>11,926</u>	<u>12,495</u>	<u>24,421</u>	<u>0</u>
Net cash provided (used) by operating activities	<u>\$ 116,901</u>	<u>\$ 411,784</u>	<u>\$ 528,685</u>	<u>\$ 22,040</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Contributions from other governments	\$ 0	\$ 0	\$ 0	\$ 13,861
Transfers from other funds	0	0	0	28,039
Transfers to other funds	<u>(22,077)</u>	<u>(25,077)</u>	<u>(47,154)</u>	<u>0</u>
Net cash provided (used) by non-capital financing activities	<u>\$ (22,077)</u>	<u>\$ (25,077)</u>	<u>\$ (47,154)</u>	<u>\$ 41,900</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	\$ (51,235)	\$ (5,389)	\$ (56,624)	\$ (495)
Principal paid on bonds	(355,000)	(82,000)	(437,000)	0
Interest paid on bonds	<u>(9,140)</u>	<u>(176,675)</u>	<u>(185,815)</u>	<u>0</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (415,375)</u>	<u>\$ (264,064)</u>	<u>\$ (679,439)</u>	<u>\$ (495)</u>
CASH FLOWS FORM INVESTING ACTIVITIES				
Investment income	<u>\$ 929</u>	<u>\$ 1,352</u>	<u>\$ 2,281</u>	<u>\$ 427</u>
Net cash provided (used) by investment activities	<u>\$ 929</u>	<u>\$ 1,352</u>	<u>\$ 2,281</u>	<u>\$ 427</u>
NET INCREASE (DECREASE) IN CASH	\$ (319,622)	\$ 123,995	\$ (195,627)	\$ 63,872
CASH AND CASH EQUIVALENTS - Beginning	<u>609,491</u>	<u>1,062,974</u>	<u>1,672,465</u>	<u>384,245</u>
CASH AND CASH EQUIVALENTS - Ending	<u>\$ 289,869</u>	<u>\$ 1,186,969</u>	<u>\$ 1,476,838</u>	<u>\$ 448,117</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 33,963	\$ 120,764	\$ 154,727	\$ (56,641)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	87,840	260,454	348,294	69,942
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	1,864	9,204	11,068	4,058
(Increase) decrease in due from other funds	0	3,334	3,334	6,613
(Increase) decrease in inventories	(550)	544	(6)	0
(Increase) decrease in prepaid expense	10,689	9	10,698	15
Increase (decrease) in accounts payable	(12,693)	17,900	5,207	(2,004)
Increase (decrease) in wages and benefits payable	(56)	(85)	(141)	96
Increase (decrease) in due to other funds	(4,266)	(88)	(4,354)	(39)
Increase (decrease) in customer deposits	0	0	0	0
Increase (decrease) in compensated absences	<u>110</u>	<u>(252)</u>	<u>(142)</u>	<u>0</u>
Net cash provided (used) by operating activities	<u>\$ 116,901</u>	<u>\$ 411,784</u>	<u>\$ 528,685</u>	<u>\$ 22,040</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2013

ASSETS

Cash

\$ 1,494

LIABILITIES

Payroll deductions withheld

\$ 1,494

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
 COMBINING STATEMENT OF NET POSITION
 COMPONENT UNITS
 JUNE 30, 2013

	<u>DDA</u>	<u>LDFA</u>	<u>Total Component Units</u>
ASSETS			
Current Assets			
Cash	\$ 15,351	\$ 23,451	\$ 38,802
Investments	232,623	170,602	403,225
Accounts Receivable	50,748	61,531	112,279
Prepaid Expense	<u>23</u>	<u>0</u>	<u>23</u>
Total Current Assets	<u>\$ 298,745</u>	<u>\$ 255,584</u>	<u>\$ 554,329</u>
Noncurrent Assets			
Capital Assets			
Land	<u>\$ 0</u>	<u>\$ 97,544</u>	<u>\$ 97,544</u>
Total Noncurrent Assets	<u>\$ 0</u>	<u>\$ 97,544</u>	<u>\$ 97,544</u>
Total Assets	<u>\$ 298,745</u>	<u>\$ 353,128</u>	<u>\$ 651,873</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	<u>\$ 811</u>	<u>\$ 1,114</u>	<u>\$ 1,925</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	\$ 0	\$ 97,544	\$ 97,544
Unrestricted	<u>297,934</u>	<u>254,470</u>	<u>552,404</u>
Total Net Position	<u>\$ 297,934</u>	<u>\$ 352,014</u>	<u>\$ 649,948</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
 COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>DDA</u>	<u>LDFA</u>	<u>Total Component Units</u>
EXPENSES			
Downtown Development	\$ 49,378	\$ 0	\$ 49,378
Industrial Development	0	48,512	48,512
Contributions to Village activities	<u>211,062</u>	<u>33,444</u>	<u>244,506</u>
Total Expenses	<u>\$ 260,440</u>	<u>\$ 81,956</u>	<u>\$ 342,396</u>
PROGRAM REVENUE			
Charges for Services	\$ 0	\$ 0	\$ 0
Operating Grants and Contributions	37,000	0	37,000
Capital Grants and Contributions	<u>175,000</u>	<u>0</u>	<u>175,000</u>
Total Program Revenue	<u>\$ 212,000</u>	<u>\$ 0</u>	<u>\$ 212,000</u>
NET (EXPENSE) REVENUE	<u>\$ (48,440)</u>	<u>\$ (81,956)</u>	<u>\$ (130,396)</u>
GENERAL REVENUE			
Property Taxes Captured	\$ 163,187	\$ 172,989	\$ 336,176
Land Rent	0	14,074	14,074
Investment Income	<u>139</u>	<u>132</u>	<u>271</u>
Total General Revenue	<u>\$ 163,326</u>	<u>\$ 187,195</u>	<u>\$ 350,521</u>
CHANGE IN NET POSITION	\$ 114,886	\$ 105,239	\$ 220,125
NET POSITION – Beginning	<u>183,048</u>	<u>246,775</u>	<u>429,823</u>
NET POSITION - Ending	<u>\$ 297,934</u>	<u>\$ 352,014</u>	<u>\$ 649,948</u>

See Note 1 for descriptions of component units shown in column headings

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Jonesville comprises a population of approximately 2,258 residents in Hillsdale County, Michigan. It is governed by a seven-member council with a president as its head. As required by generally accepted accounting principles, these financial statements present the Village's primary government and component units over which the Village exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationship with the Village (as distinct from legal relationships).

The following component units are reported in the Village's financial statements:

- The Local Development Finance Authority (LDFA) was created under Public Act 281 of 1986 of the State of Michigan. The LDFA's purpose is to work towards the elimination of the causes of unemployment, underemployment and joblessness, and to promote economic growth in the Village of Jonesville.
- The Downtown Development Authority (DDA) was created under Public Act 197 of 1975 of the State of Michigan. The DDA's purpose is to eliminate the causes of deterioration of property values in the business district of the Village and to promote economic growth.

The Village appoints the majority of the Boards of Directors of the LDFA and DDA. The budgets of both entities require the Village's approval, and their main revenue source (tax increment financing) is a financial burden to the Village.

The accounting policies of the Village of Jonesville conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of significant accounting policies used by Village of Jonesville:

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The statement of net position and the statement of activities display financial information about the Village as a whole, excluding fiduciary activities. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by property taxes and Village general revenue, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Village's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, State Revenue Sharing, and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Village.

Fund Financial Statements - Fund financial statements report detailed information about the Village. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

The financial statements of the Village are prepared in accordance with generally accepted accounting principles (GAAP) and all relevant pronouncements of the Governmental Accounting Standards Board (GASB).

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Village departments. Proprietary fund and component unit financial statements also report using this same focus and basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is to be collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Under the modified accrual basis, property taxes, State revenue sharing, interest, and grants are considered to be both measurable and available at fiscal year-end. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Operating income reported in proprietary fund financial statements includes revenue and expenses related to the primary, continuing operations of the fund. Principal operating revenue for proprietary funds is charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenue and expenses are classified as non-operating in the financial statements.

Financial Statement Presentation

The Village uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Village functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The Village reports the following major governmental funds:

General Fund - used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Michigan.

Special Revenue Funds - used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes (i.e. Major Streets and Local Streets).

VILLAGE OF JONESVILLE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Village reports the following major enterprise funds:

Water Utilities Fund - accounts for the operating activities of the Village's water utilities services.

Sewer Utilities Fund - accounts for the operating activities of the Village's sewer utilities services.

Additionally, the Village reports the following non-major fund types:

Special Revenue Fund – State Highway Fund

Debt Retirement Fund - used to account for the accumulation of resources for and the payment of principal and interest on the Village's general obligation debt.

Internal Service Fund - accounts for the financing of goods and services provided by one department to other departments within the Village on a cost-reimbursement basis (i.e. equipment and vehicle usage). This is a proprietary fund reported with governmental activities in the government-wide statements.

Agency Fund - accounts for fiduciary assets held by the Village in a custodial capacity as an agent on behalf of others (i.e. employee payroll deductions).

Assets, Liabilities, and Net Position

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less. Investments in this account are stated at cost which equals market value.

Inventories - Inventories are stated at cost, which approximates market, using the first-in/first-out method.

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets paid for by component units are transferred to the primary government and are also reported in the government-wide statements. Proprietary Fund capital assets are reported in their respective fund financial statements. The Village has opted to report infrastructure prospectively (not retroactively) as allowed by GASB 34.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Village maintains a capitalization threshold of \$1,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings & Improvements	50 years
Furniture & Equipment	5 - 20 years
Vehicles	5 years
Infrastructure	20 – 30 years

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Village has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village has no items that qualify for reporting in this category.

Compensated Absences (Vacation and Sick Leave) - It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Vacation and sick leave are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation, retirement, or death.

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are reported as "due to/from other funds." These amounts are eliminated on the government-wide statement of net position.

Long-Term Obligations - In the government-wide financial statements, all payables, accrued liabilities and long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt retirement expenditures.

Fund Balance – In accordance with Governmental Account Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, the fund financial statements report the following components of fund balance:

- **Nonspendable:** Amounts that are not in a spendable form or are legally or contractually required to be maintained intact.
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- **Committed:** Amounts that have been formally set aside by the Village Council for use for specific purposes. Commitments are made and can be rescinded only by a resolution of the Village Council.
- **Assigned:** Amounts that are intended to be spent on specific purposes, as expressed by the Village Council or by a committee or individual designated by the Village Council.
- **Unassigned:** Amounts that are available for day-to-day operations.

The Village considers restricted funds to be spent first when expenditures are incurred for which both restricted and unrestricted amounts are available.

The Village considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

VILLAGE OF JONESVILLE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Activity - Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Village Council at the function level. Any budgetary modifications may only be made by resolution of the Village Council. All annual appropriations lapse at fiscal year end.

The Village follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements:

- 1) Prior to June 30, the Village Manager submits to the Village Council a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the Village, transfer of appropriations may be made by the authorization of the Village Manager. Such transfers appropriations must be approved by the Village Council at its next regularly scheduled meeting.
- 5) The Village Manager is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

During the year, the Village incurred expenditures which were in excess of the amounts appropriated:

<u>Fund</u>	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	Police	\$ 361,736	\$ 361,780	\$ 44
	Parking Lots	26,305	29,682	3,377
	Parks	15,255	15,287	32
Capital Outlay		247,836	293,618	45,782

NOTE 3 - DEPOSITS AND INVESTMENTS

State of Michigan laws authorize the Village to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Village's investment policy puts no further limits on its investment choices.

VILLAGE OF JONESVILLE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

Deposits

Following are the components of the Village’s bank deposits at June 30, 2013:

	Primary Government	Component Units
Cash on hand	\$ 450	\$ 0
Checking and savings accounts	260,134	38,803
Certificates of deposit	<u>16,360</u>	<u>0</u>
	<u>\$ 276,944</u>	<u>\$ 38,803</u>

Investments

Following are the components of the Village’s investments at June 30, 2013:

MBIA CLASS Investment Pool	<u>\$ 2,932,937</u>	<u>\$ 403,225</u>
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The Village’s deposits and investments are subject to several types of risk, which are examined in more detail as follows:

Interest Rate Risk - In accordance with its investment policy, the Village manages its exposure to declines in fair values due to changes in general interest rates by structuring the portfolio to meet cash requirements for ongoing operations, thereby avoiding the need to liquidate securities at a loss prior to maturity.

Credit Risk – The Village minimizes credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the safest types of securities, pre-qualifying the financial institutions with which the Village will do business, and diversifying the portfolio so that potential losses on individual securities will be minimized. As of June 30, 2013, the Village’s investment in the MBIA CLASS Investment Pool was rated AAAM by Standard & Poors.

Concentration of credit risk – The Village minimizes the risk associated with placing a large portion of the portfolio with a single issuer by diversifying the portfolio so that the impact of potential losses from any one investment will be minimized.

Custodial credit risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the Village’s deposits may not be returned to it. At June 30, 2013, the carrying amount of the Village’s deposits was \$315,297 and the bank balance was \$340,114. Of the bank balance, \$266,360 was covered by federal depository insurance and \$73,754 was uninsured. The Village minimizes custodial credit risk by holding all investments in the Village’s name.

Foreign currency risk – The Village is not authorized to invest in investments which have this type of risk.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2013, consist of State revenue sharing, State highway contract revenue, utility and other receivables. All receivables are considered collectible in full due to the ability to lien for the nonpayment of utility bills and the stable condition of State programs.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 – RECEIVABLES (continued)

A summary of the principal items of receivables follows:

	General Fund	Major Street	Local Street	Other Governmental Funds	Proprietary Funds	Total
State Revenue Sharing	\$ 32,191	\$ 21,487	\$ 6,705	\$ 0	\$ 0	\$ 60,383
Property Taxes	3,398	0	1,206	0	0	4,604
State Highway Contract	0	0	0	5,687	0	5,687
Utility customers	0	0	0	0	30,374	30,374
Other Receivables	<u>9,402</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,015</u>	<u>10,417</u>
Total	<u>\$ 44,991</u>	<u>\$ 21,487</u>	<u>\$ 7,911</u>	<u>\$ 5,687</u>	<u>\$ 31,389</u>	<u>\$ 111,465</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
PRIMARY GOVERNMENT				
<u>Governmental Activities</u>				
Capital assets not being depreciated				
Land	\$ 139,995	\$ 55,000	\$ 0	\$ 194,995
Capital assets being depreciated				
Land Improvements	\$ 116,243	\$ 0	\$ 0	\$ 116,243
Buildings & Improvements	808,823	58,494	0	867,317
Furniture & Equipment	764,355	11,700	(2,097)	773,958
Vehicles	1,147,381	0	0	1,147,381
Infrastructure	5,187,306	171,609	0	5,358,915
Less accumulated depreciation	<u>(2,528,287)</u>	<u>(344,648)</u>	<u>2,097</u>	<u>(2,870,838)</u>
Total capital assets being depreciated, net	<u>\$ 5,495,821</u>	<u>\$ (102,845)</u>	<u>\$ 0</u>	<u>\$ 5,392,976</u>
Total capital assets, net	<u>\$ 5,635,816</u>	<u>\$ (47,845)</u>	<u>\$ 0</u>	<u>\$ 5,587,971</u>
<u>Business-Type Activities</u>				
Capital assets not being depreciated				
Land	\$ 2,061	\$ 0	\$ 0	\$ 2,061
Capital assets being depreciated				
Facilities & Mains	\$14,149,156	\$ 48,984	\$ 0	\$14,198,140
Machinery & Equipment	535,581	7,640	0	543,221
Less accumulated depreciation	<u>(6,143,639)</u>	<u>(348,294)</u>	<u>0</u>	<u>(6,491,933)</u>
Total capital assets being depreciated, net	<u>\$ 8,541,098</u>	<u>\$ (291,670)</u>	<u>\$ 0</u>	<u>\$ 8,249,428</u>
Total capital assets, net	<u>\$ 8,543,159</u>	<u>\$ (291,670)</u>	<u>\$ 0</u>	<u>\$ 8,251,489</u>
PRIMARY GOVERNMENT				
Total capital assets, net	<u>\$14,178,975</u>	<u>\$ (339,515)</u>	<u>\$ 0</u>	<u>\$13,839,460</u>
COMPONENT UNITS				
Capital assets not being depreciated				
Land	\$ 97,544	\$ 0	\$ 0	\$ 97,544

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 - CAPITAL ASSETS (continued)

Depreciation expense was charged to activities of the Village as follows:

Governmental Activities:		Business-Type Activities:	
General Government	\$ 13,592	Water	\$ 87,840
Public Safety	90,530	Sewer	<u>260,454</u>
Public Improvements	37,091	Total	<u>\$ 348,294</u>
Streets, Highways and Drains	145,854		
Culture and Recreation	11,739		
Unallocated	<u>45,842</u>		
Total	<u>\$ 344,648</u>		

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at June 30, 2013, is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 545	Major Streets	\$ 16
		State Highway	529
Sewer	327	Water	327
Motor Vehicle Pool	1,930	General Fund	254
		Major Streets	836
		Local Streets	494
		State Highway	271
		Sewer Fund	28
		Water Fund	<u>47</u>
	<u>\$ 2,802</u>		<u>\$ 2,802</u>

Interfund transfers during the year consisted of the following:

	<u>Transfer From</u>						<u>Total</u>
	<u>General Fund</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Sewer</u>	<u>Water</u>	<u>Motor Vehicle</u>	
Transfer to:							
General Fund	\$ 0	\$ 13,431	\$ 60,671	\$ 21,077	\$ 21,077	\$ 0	\$116,256
Major Streets	0	0	0	0	0	0	0
Debt Service	0	34,848	64,683	0	0	0	99,531
Motor Vehicle Pool	<u>23,039</u>	<u>0</u>	<u>0</u>	<u>4,000</u>	<u>1,000</u>	<u>0</u>	<u>28,039</u>
Total	<u>\$ 23,039</u>	<u>\$ 48,279</u>	<u>\$125,354</u>	<u>\$ 25,077</u>	<u>\$ 22,077</u>	<u>\$ 0</u>	<u>\$243,826</u>

Transfers are used to (1) account for overhead services provided by the General Fund to other funds, (2) move resources for the payment of long-term debt, and (3) to provide for future acquisition of capital assets.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7 - LONG-TERM DEBT

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

Downtown Development Bonds - During the year 1999-2000, the Village issued bonds in the amount of \$450,000 for streetscape improvements in the downtown district. The bond payments are to be made from the tax increment revenues of the DDA; however, they are also backed by the full faith and credit of the Village. These bonds were paid off during 2012-13.

North Parking Lot Bonds - During the year 2011-12, the Village issued bonds in the amount of \$550,000 for improvements to the parking lot on the north side of the downtown district. The bond payments are to be made from the tax increment revenues of the DDA; however, they are also backed by the full faith and credit of the Village.

East Street Bonds – During the year 2007-08, the Village issued bonds in the amount of \$700,000 for the reconstruction of East Street between Liberty Street and Adrian Street.

Murphy Street Bonds – During the year 2010-11, the Village issued bonds in the amount of \$300,000 for the reconstruction of Murphy Street between US-12 and the Village limits.

Revenue Bonds - The Village has two bond issues with GMAC Commercial Mortgage Corp. which funded water and sewer projects. These are revenue bond issues, whereby revenue derived from the utility systems is used to pay the debt service. The Water Fund bonds were paid off in 2012-13.

USDA Loan - During the year 2005-06, the Village completed construction on a new sewage treatment plant, funded partially by a \$4,065,000 loan from the USDA Rural Development Office.

County Contract - During the year 1995-96, the Village entered into a contract with the Hillsdale County Board of Public Works to issue \$1,360,000 in bonds for Water Supply System and other improvements. This contract was paid off in 2012-13.

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>
Primary Government				
<i>Governmental Activities</i>				
Downtown Streetscape Bonds	\$ 100,000	\$ 0	\$ (100,000)	\$ 0
North Parking Lot Bonds	550,000	0	(37,000)	513,000
East Street Bonds	560,000	0	(40,000)	520,000
Murphy Street Bonds	275,000	0	(25,000)	250,000
Compensated Absences	<u>120,293</u>	<u>0</u>	<u>(13,816)</u>	<u>106,477</u>
Total Governmental Activities	<u>\$ 1,605,293</u>	<u>\$ 0</u>	<u>\$ (215,816)</u>	<u>\$ 1,389,477</u>
<i>Business-type Activities</i>				
Revenue Bonds - Sewer Fund	\$ 150,000	\$ 0	\$ (25,000)	\$ 125,000
USDA Loan - Sewer Fund	3,690,000	0	(57,000)	3,633,000
Revenue Bonds - Water Fund	60,000	0	(60,000)	0
County Contract - Water Fund	295,000	0	(295,000)	0
Compensated Absences	<u>47,214</u>	<u>0</u>	<u>(142)</u>	<u>47,072</u>
Total Business-type Activities	<u>\$ 4,242,214</u>	<u>\$ 0</u>	<u>\$ (437,142)</u>	<u>\$ 3,805,072</u>
Total Primary Government Long-Term Debt	<u>\$ 5,847,507</u>	<u>\$ 0</u>	<u>\$ (652,958)</u>	<u>\$ 5,194,549</u>

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 7 - LONG-TERM DEBT (continued)

Interest rates, maturity dates, and current portions for the above obligations are as follows:

	<u>Interest Rate(s)</u>	<u>Maturity Date</u>	<u>Current Portion</u>
North Parking Lot Bonds	2.9% - 4.0%	5/1/24	\$ 38,000
East Street Bonds	3.00% - 4.90%	5/1/23	40,000
Murphy Street Bonds	3.50% - 3.90%	11/1/20	25,000
Revenue Bonds - Sewer Fund	5.00%	1/1/18	25,000
USDA Loan - Sewage Treatment Plan	4.00%	4/22/43	58,000
			<u>\$ 186,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 103,000	\$ 50,406	\$ 83,000	169,060
2015	115,000	46,674	87,000	165,605
2016	116,000	42,524	90,000	161,565
2017	123,000	38,189	92,000	157,390
2018	125,000	33,535	96,000	152,500
2019-2023	645,000	88,607	403,000	708,705
2024-2028	56,000	2,240	505,000	609,375
2029-2033	0	0	629,000	484,965
2034-2038	0	0	782,000	330,210
2039-2043	0	0	991,000	137,655
Total	<u>\$ 1,283,000</u>	<u>\$ 302,175</u>	<u>\$ 3,758,000</u>	<u>\$ 3,077,030</u>

NOTE 8 – COMPONENT UNIT CONTRIBUTIONS

During the year, the Village's Local Development Finance Authority (LDFA) and Downtown Development Authority (DDA) contributed the following amounts to support the Village's operations:

<u>LDFA:</u>		<u>DDA:</u>	
<u>General Fund</u>		<u>General Fund</u>	
Salaries and wages	\$ 25,655	Salaries and wages	\$ 25,655
Street light electricity	5,100	Purchases/improvements	28,288
<u>Major Streets Fund</u>		<u>Debt Service Fund</u>	
Purchases/improvements	2,690	Bond payments	157,118
TOTAL	<u>\$ 33,445</u>		<u>\$ 211,061</u>

NOTE 9 - COMPENSATED ABSENCES

Vested or accumulated vacation days and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. The entire compensated absence liability is reported on the government-wide financial statements. Employees of the Village can accumulate vacation pay up to a maximum of 16 to 39 days depending on years of service, and employees have a vested right of 100% of allowable accumulated vacation pay upon termination. Accumulated sick time is vested based on years of service and the vested amount is payable upon termination.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 10 - PROPERTY TAXES

Real estate and personal property taxes are recorded as revenue in amounts equal to the total taxes levied. The total levy for 2012 was 16.388 mills - 11.7057 mills allocated to General Fund, and 4.6823 mills allocated to Street Funds. The 2012 total state taxable value was approximately \$61,259,500 (\$51,829,500 ad valorem and \$9,430,000 industrial facilities tax). Village properties are assessed as of December 31 (the lien date) - taxes levied July 1 of the succeeding year and are due without interest to September 15. After the final collection date, unpaid real property taxes are added to the county delinquent tax rolls. Personal property taxes unpaid continue to be collected by the Village Treasurer.

NOTE 11 - SEGMENT INFORMATION

The Village issues separate revenue bonds to finance its water and sewer departments. The fund financial statements report major funds with revenue - supported debt for the water and sewer funds. Services provided by these funds are described in Note 1.

NOTE 12 - DEFINED CONTRIBUTION PENSION PLAN

The Village of Jonesville provides pension benefits for all of its full-time employees through a defined contribution money purchase plan administered by the International City Managers Association Retirement Corporation (ICMA-RC). All full-time employees are eligible to participate in the plan after 6 months of full-time service. Participants are vested incrementally, with full vesting after four years of continuous full-time service. The Village is required to contribute 5 percent of covered payroll. If the employee makes a voluntary contribution of 5 percent, then the Village contributes an additional 2 percent. The activity in the plan for 2012-13 is as follows:

Asset Value - July 1, 2012	\$ 1,394,069
Employer Contributions	46,544
Employee Contributions	45,432
Investment Gain (Loss)	148,563
Distributions	<u>(30,499)</u>
Asset Value - June 30, 2013	<u>\$ 1,604,109</u>

NOTE 13 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Village has purchased commercial insurance for each of these areas of risk and there have been no significant reduction in insurance coverages. Settled claims have not exceeded the amount of insurance coverage for the current or the three prior years.

NOTE 14 - UNEMPLOYMENT TAXES

The Village is a reimbursing employer to the Michigan Unemployment Insurance Agency and, as such, is responsible to pay the Agency for those benefits paid and charged to its account. As of June 30, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or not filed.

VILLAGE OF JONESVILLE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE 15 – FUND BALANCE CONSTRAINTS

Fund balances have been constrained for the following purposes:

	<u>General Fund</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>State Highway</u>	<u>Debt Service</u>
Nonspendable:					
Inventory	4,255	0	0	0	0
Prepaid Expenditures	9,172	0	0	0	0
Restricted:					
Streets	0	74,927	554,123	5,112	0

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 14, 2013, the date on which the financial statements were available to be issued.

NOTE 17 – NEW ACCOUNTING STANDARDS

For the year end June 30, 2013 the Village implemented the following new pronouncements:

GASB Statement 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

Summary

The objective of the Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedure

GASB Statement 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement 65 - Items Previously Reported as Assets and Liabilities.

Summary

These Statements provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statements elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No.34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

VILLAGE OF JONESVILLE
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
				<u>Final Budget</u>
REVENUE				
Property Taxes	\$ 523,212	\$ 526,854	\$ 525,114	\$ (1,740)
Licenses and Permits	1,100	1,100	1,035	(65)
State Shared Revenue	196,780	200,302	239,914	39,612
Charges and Fees	58,800	60,846	61,048	202
Recreation	27,425	40,520	40,520	0
Rents and Royalties	11,500	11,500	12,266	766
Contributions	5,353	5,353	5,353	0
Interest	500	500	1,105	605
Contributions from Component Units	240,715	85,410	84,698	(712)
Miscellaneous	6,560	14,985	15,397	412
Total Revenue	<u>\$ 1,071,945</u>	<u>\$ 947,370</u>	<u>\$ 986,450</u>	<u>\$ 39,080</u>
EXPENDITURES				
General Government				
Village Council	\$ 26,490	\$ 35,635	\$ 35,607	\$ (28)
Village Manager	103,145	105,945	105,936	(9)
Elections	2,000	160	160	0
General Office	200,159	202,185	202,161	(24)
Treasurer	1,100	1,565	1,557	(8)
Data Processing	4,580	5,780	5,772	(8)
Village Hall	12,044	10,994	10,925	(69)
Fringe Benefits	32,185	39,185	39,158	(27)
Insurance	14,000	14,000	13,945	(55)
Promotions	0	675	665	(10)
Public Safety				
Police	371,912	361,736	361,780	44
Fire	85,937	81,897	81,891	(6)
Economic & Community Development				
Planning & Zoning	7,425	6,025	5,959	(66)
Public Works				
Parking Lots	9,305	26,305	29,682	3,377
Sidewalks	5,599	1,299	1,051	(248)
Other	19,860	19,860	18,976	(884)
Streets, Highways, and Drains				
Street Lighting	35,000	36,500	36,496	(4)
Sanitation				
Landfill	5,166	4,166	4,057	(109)
Culture and Recreation				
Recreation	27,995	36,795	36,765	(30)
Parks	17,955	15,255	15,287	32
Capital Outlay	<u>227,900</u>	<u>247,836</u>	<u>293,618</u>	<u>45,782</u>
Total Expenditures	<u>\$ 1,209,757</u>	<u>\$ 1,253,798</u>	<u>\$ 1,301,448</u>	<u>\$ (47,650)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (137,812)</u>	<u>\$ (306,428)</u>	<u>\$ (314,998)</u>	<u>\$ (8,570)</u>

VILLAGE OF JONESVILLE
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013
 (continued)

	<u>Budget Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Final Budget</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	\$ 118,256	\$ 118,256	\$ 118,312	\$ 56
Operating Transfers Out	<u>(23,700)</u>	<u>(23,039)</u>	<u>(23,039)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>\$ 94,556</u>	<u>\$ 95,217</u>	<u>\$ 95,273</u>	<u>\$ 56</u>
NET CHANGE IN FUND BALANCES	\$ (43,256)	\$ (211,211)	\$ (219,725)	\$ (8,514)
FUND BALANCES - Beginning	<u>916,928</u>	<u>916,928</u>	<u>916,928</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 873,672</u>	<u>\$ 705,717</u>	<u>\$ 697,203</u>	<u>\$ (8,514)</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR STREETS FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
REVENUE				
State Shared Revenue	\$ 131,000	\$ 131,000	\$ 136,075	\$ 5,075
Interest	10	10	21	11
Contributions from Component Units	0	2,700	2,690	(10)
Miscellaneous	<u>0</u>	<u>0</u>	<u>113</u>	<u>113</u>
Total Revenue	<u>\$ 131,010</u>	<u>\$ 133,710</u>	<u>\$ 138,899</u>	<u>\$ 5,189</u>
EXPENDITURES				
Street Construction	\$ 0	\$ 2,700	\$ 2,690	\$ (10)
Routine Maintenance	55,895	55,895	49,330	(6,565)
Traffic Control	5,295	5,295	3,087	(2,208)
Winter Maintenance	<u>21,175</u>	<u>21,175</u>	<u>14,277</u>	<u>(6,898)</u>
Total Expenditures	<u>\$ 82,365</u>	<u>\$ 85,065</u>	<u>\$ 69,384</u>	<u>\$ (15,681)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 48,645</u>	<u>\$ 48,645</u>	<u>\$ 69,515</u>	<u>\$ 20,870</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0
Transfers Out	<u>(48,279)</u>	<u>(48,279)</u>	<u>(48,279)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>\$ (48,279)</u>	<u>\$ (48,279)</u>	<u>\$ (48,279)</u>	<u>\$ 0</u>
NET CHANGE IN FUND BALANCES	\$ 366	\$ 366	\$ 21,236	\$ 20,870
FUND BALANCES - Beginning	<u>53,691</u>	<u>53,691</u>	<u>53,691</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 54,057</u>	<u>\$ 54,057</u>	<u>\$ 74,927</u>	<u>\$ 20,870</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LOCAL STREETS FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
REVENUE				
Property Taxes	\$ 232,109	\$ 201,624	\$ 203,272	\$ 1,648
State Shared Revenue	40,000	40,000	42,462	2,462
Contributions	2,140	2,140	2,141	1
Contributions from Component Units	0	0	0	0
Interest	350	350	645	295
Miscellaneous	<u>0</u>	<u>0</u>	<u>502</u>	<u>502</u>
Total Revenue	<u>\$ 274,599</u>	<u>\$ 244,114</u>	<u>\$ 249,022</u>	<u>\$ 4,908</u>
EXPENDITURES				
Street Construction	\$ 22,000	\$ 0	\$ 0	\$ 0
Routine Maintenance	105,600	46,350	44,535	(1,815)
Traffic Control	4,026	4,026	1,475	(2,551)
Winter Maintenance	<u>16,690</u>	<u>16,690</u>	<u>12,886</u>	<u>(3,804)</u>
Total Expenditures	<u>\$ 148,316</u>	<u>\$ 67,066</u>	<u>\$ 58,896</u>	<u>\$ (8,170)</u>
REVENUE OVER (UNDER) EXPENDITURES	\$ 126,283	\$ 177,048	\$ 190,126	\$ 13,078
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(125,354)</u>	<u>(125,354)</u>	<u>(125,354)</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	\$ 929	\$ 51,694	\$ 64,772	\$ 13,078
FUND BALANCES - Beginning	<u>489,351</u>	<u>489,351</u>	<u>489,351</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 490,280</u>	<u>\$ 541,045</u>	<u>\$ 554,123</u>	<u>\$ 13,078</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

	Debt Service <u>Fund</u>	Special Revenue State Highway <u>Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 0	\$ 1,483	\$ 1,483
Due from Other Governmental Units	<u>0</u>	<u>5,687</u>	<u>5,687</u>
Total Assets	<u>\$ 0</u>	<u>\$ 7,170</u>	<u>\$ 7,170</u>
LIABILITIES			
Accounts Payable	\$ 0	\$ 1,035	\$ 1,035
Due to Other Funds	0	801	810
Salaries Payable	<u>0</u>	<u>223</u>	<u>223</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 2,059</u>	<u>\$ 2,059</u>
FUND BALANCE			
Nonspendable	\$ 0	\$ 0	\$ 0
Restricted	0	5,111	5,111
Committed	0	0	0
Assigned	0	0	0
Unassigned	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>\$ 0</u>	<u>\$ 5,111</u>	<u>\$ 5,111</u>
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 7,170</u>	<u>\$ 7,170</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
 COMBINING STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	Debt Service <u>Fund</u>	State Highway <u>Fund</u>	<u>Total</u>
REVENUE			
State Highway Contract	\$ 0	\$ 22,620	\$ 22,620
Contribution from Component Units	157,118	0	157,118
Interest Income	<u>8</u>	<u>1</u>	<u>9</u>
Total Revenue	<u>\$ 157,126</u>	<u>\$ 22,621</u>	<u>\$ 179,747</u>
EXPENDITURES			
Streets, Highways, Drains			
Routine Maintenance	\$ 0	\$ 10,942	\$ 10,942
Traffic Control	0	5	5
Winter Maintenance	0	8,983	8,983
Debt Service			
Principal	202,000	0	202,000
Interest	<u>58,603</u>	<u>0</u>	<u>58,603</u>
Total Expenditures	<u>\$ 260,603</u>	<u>\$ 19,930</u>	<u>\$ 280,533</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$(103,477)</u>	<u>\$ 2,691</u>	<u>\$(100,786)</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	\$ 99,530	\$ 0	\$ 99,530
Operating Transfers Out	<u>0</u>	<u>(2,056)</u>	<u>(2,056)</u>
Total Other Financing Sources (Uses)	<u>\$ 99,530</u>	<u>\$ (2,056)</u>	<u>\$ 97,474</u>
NET CHANGES IN FUND BALANCES	\$ (3,947)	\$ 635	\$ (3,312)
FUND BALANCES - Beginning	<u>3,947</u>	<u>4,476</u>	<u>8,423</u>
FUND BALANCES - Ending	<u>\$ 0</u>	<u>\$ 5,111</u>	<u>\$ 5,111</u>

The accompanying notes are an integral part of this statement.

Bailey, Hodshire
& Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Village Council
Village of Jonesville
Jonesville, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Village of Jonesville as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Village of Jonesville's basic financial statements and have issued our report thereon dated November 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Jonesville's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Jonesville's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Jonesville's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency*, is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Jonesville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2013-1.

Village of Jonesville's Response to Findings

The Village of Jonesville's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Village of Jonesville's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Village Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bailey, Hodshire & Company, P.C.

Jonesville, Michigan

November 14, 2013

VILLAGE OF JONESVILLE
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013

NONCOMPLIANCE WITH STATE STATUTES

Finding 2013-1 – Expenditures in excess of appropriations

Condition: During the fiscal year ended June 30, 2013, expenditures were incurred in excess of amounts appropriated in the amended budget for the General Fund.

Criteria or Specific Requirement: The expenditure of funds in excess of appropriations is contrary to the provisions of Section 17 of Public act 2 of 1968, as amended.

Effect: The Village is in noncompliance with State statutes regarding budget appropriations.

Recommendation: We recommend that the Village review existing procedures for ensuring that expenditures do not exceed amounts authorized in the budget or amendments thereof. In instances where grant monies are received for capital outlay (or other purposes), the grant funds should be budgeted as revenue and the entire amount of the capital outlay should be budgeted as an expenditure.

View of Responsible Officials and Planned Corrective Action: The Finance Director will more closely monitor the budget and recommend budget amendments to the Village Council as necessary.