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INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Jonesville
Jonesville, Michigan

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, 2010, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Jonesville's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2010, on our consideration of Village of Jonesville's internal control over financial reporting and on our tests of 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Village Council
Village of Jonesville

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 33 through 36, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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 and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bailey, Hodshire & Company, P.C.

Jonesville, Michigan
November 9, 2010

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2010

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, 2010. 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 \$11,636,887 (net assets) at the close of this fiscal year. Net assets at the beginning of the fiscal year totaled \$11,315,347, showing an increase of \$321,540 during the current year.
- The Village's governmental funds reported total ending fund balance of \$1,506,444, of which \$1,448,500 is unreserved and undesignated and available for spending at the Village's discretion. This compares to the prior year ending fund balance of \$1,325,660 showing an increase of \$180,784 during the current year.
- At the end of the current year, unreserved fund balance for the General Fund was \$743,034, or 74% of total General Fund expenditures. This is an increase of \$133,942 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 Assets - This statement presents information of all of the Village's assets and liabilities, with the difference being reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator as to whether the Village's financial position as a whole is improving or deteriorating.

Statement of Activities - This reports how the Village's net assets 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, 2010

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 assets may serve over time as a useful indicator of the Village's financial position. The Village's assets exceeded its liabilities by \$11,636,887 (net assets) at the close of this fiscal year. Net assets at the beginning of the fiscal year totaled \$11,315,347, showing an increase of \$321,540 over the prior year.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2010

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

NET ASSETS

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Current Assets	\$ 2,060,597	\$ 1,875,663	\$ 1,380,713	\$ 1,541,449	\$ 3,441,310	\$ 3,417,112
Non-current Assets	<u>4,858,647</u>	<u>4,999,644</u>	<u>9,585,363</u>	<u>9,233,559</u>	<u>14,444,010</u>	<u>14,233,203</u>
Total Assets	<u>\$ 6,919,244</u>	<u>\$ 6,875,307</u>	<u>\$10,966,076</u>	<u>\$10,775,008</u>	<u>\$17,885,320</u>	<u>\$17,650,315</u>
Current Liabilities	\$ 362,154	\$ 103,276	\$ 325,578	\$ 320,740	\$ 687,732	\$ 424,016
Non-current Liabilities	<u>958,932</u>	<u>870,627</u>	<u>4,923,309</u>	<u>4,718,785</u>	<u>5,882,241</u>	<u>5,589,412</u>
Total Liabilities	<u>\$ 1,321,086</u>	<u>\$ 973,903</u>	<u>\$ 5,248,887</u>	<u>\$ 5,039,525</u>	<u>\$ 6,569,973</u>	<u>\$ 6,013,428</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	\$ 4,032,275	\$ 4,218,447	\$ 4,413,066	\$ 4,259,965	\$ 8,445,341	\$ 8,478,412
Restricted	21,955	57,944	834,112	937,795	856,067	995,739
Unrestricted	<u>1,543,928</u>	<u>1,625,013</u>	<u>470,011</u>	<u>537,723</u>	<u>2,013,939</u>	<u>2,162,736</u>
Total Net Assets	<u>\$ 5,598,158</u>	<u>\$ 5,901,404</u>	<u>\$ 5,717,189</u>	<u>\$ 5,735,483</u>	<u>\$11,315,347</u>	<u>\$11,636,887</u>

The Village reported positive balances in net assets for governmental and business-type activities. Net assets increased \$303,246 for governmental activities and increased \$18,294 for business-type activities; therefore, the Village's overall financial position improved during fiscal year 2010.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2010

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

CHANGES IN NET ASSETS

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Primary</u>	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>Government</u>	<u>2010</u>
Program Revenue						
Charges for Services	\$ 93,329	\$ 84,197	\$ 932,190	\$ 989,162	\$ 1,025,519	\$ 1,073,359
Operating Grants and Contributions	372,860	395,977	160,328	135,000	533,188	530,977
Capital Grants and Contributions	1,336,491	163,126	0	0	1,336,491	163,126
General Revenue						
Property Taxes	801,496	770,881	0	0	801,496	770,881
State Shared Revenue	220,649	197,990	0	0	220,649	197,990
Unrestricted Investment Income	18,453	3,256	10,541	4,316	28,994	7,572
Other	<u>14,787</u>	<u>20,323</u>	<u>24,384</u>	<u>17,190</u>	<u>39,171</u>	<u>37,513</u>
Total Revenue	<u>\$ 2,858,065</u>	<u>\$ 1,635,750</u>	<u>\$ 1,127,443</u>	<u>\$ 1,145,668</u>	<u>\$ 3,985,508</u>	<u>\$ 2,781,418</u>
Expenses						
General Government	\$ 493,790	\$ 395,197	\$ 0	\$ 0	\$ 493,790	\$ 395,197
Public Safety	450,902	499,735	0	0	450,902	499,735
Economic & Community Development	7,864	2,499	0	0	7,864	2,499
Public Improvements	46,444	39,329	0	0	46,444	39,329
Streets, Highways, Drains	397,291	296,534	0	0	397,291	296,534
Sanitation	1,155	1,271	0	0	1,155	1,271
Culture & Recreation	53,449	56,029	0	0	53,449	56,029
Interest on Long-Term Debt	41,826	37,190	0	0	41,826	37,190
Depreciation - Unallocated	36,052	49,720	0	0	36,052	49,720
Water Utility	0	0	253,774	275,869	253,774	275,869
Sewer Utility	<u>0</u>	<u>0</u>	<u>811,046</u>	<u>806,505</u>	<u>811,046</u>	<u>806,505</u>
Total Expenses	<u>\$ 1,528,773</u>	<u>\$ 1,377,504</u>	<u>\$ 1,064,820</u>	<u>\$ 1,082,374</u>	<u>\$ 2,593,593</u>	<u>\$ 2,459,878</u>
Transfers	<u>\$ 56,125</u>	<u>\$ 45,000</u>	<u>\$ (56,125)</u>	<u>\$ (45,000)</u>	<u>\$ 0</u>	<u>\$ 0</u>
CHANGE IN NET ASSETS	<u>\$ 1,385,417</u>	<u>\$ 303,246</u>	<u>\$ 6,498</u>	<u>\$ 18,294</u>	<u>\$ 1,391,915</u>	<u>\$ 321,540</u>

Governmental Activities increased the Village's net assets by \$303,246, which represents a decrease from last year's change in net assets.

Revenues from governmental activities totaled \$1,635,750. Property tax revenue represented the largest portion of those revenues (47.1%), operating grants and contributions was 24.2%, state shared revenue was 12.1%, and capital grants and contributions was 10.0% of the total.

The largest components of governmental activities' expenses were public safety (36.3%), general government (28.7%), and streets, highways, and drains (21.5%). General government consists of Village Council, Administration, Motor Vehicle Pool, etc. Public safety includes police and fire.

Business-type Activities increased the Village's net assets by \$18,294. Net assets 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 increase in net assets is a result of rate increases and reduced spending.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2010

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, 2010, the Village's governmental funds reported combined ending fund balances of \$1,506,444. Of this total, approximately 96.2% was unreserved, indicating availability for continuing Village service requirements. Although a substantial amount is unrestricted, a portion of the fund balances has been designated for subsequent year's projects, such as the development of another Village park, expanding the Industrial Park, rehabilitating the downtown streetscape, and other projects. Restricted fund balance represents the amount designated to repay debt through the Debt Service Fund.

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 \$743,034. Other Major Governmental Funds include Major and Local Streets. Non-major governmental funds include the State Highway and Debt Service funds. Most of the above funds showed an increase in fund balance for the current fiscal year. The Local Street Fund experienced a decrease in fund balance, due to debt payments made on the East Street bonds.

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 assets of the Water and Sewer Funds were \$5,735,483 at June 30, 2010, an increase of \$18,294 from the previous fiscal year. The Motor Vehicle Pool's net assets at the end of this fiscal year were \$802,042, a decrease of \$22,364 from the previous fiscal year. This is due to the purchase of a new backhoe and a dump truck.

Major Governmental Funds Budgeting and Operating Highlights

General Fund - The difference between the original and final amended budget for General Fund revenues was \$85,790, with the original budget being \$1,092,333, and the final budget being \$1,178,123. The difference between the two numbers includes an increase in Property Taxes. The original budget was \$539,620, and the final budget was \$564,620, with actual property taxes being \$563,867. The difference between the appropriations originally budgeted and the final appropriations budget was \$29,940 (\$1,080,631 vs. \$1,110,571). General Government expenditures decreased by \$96,130; Public Safety increased by \$17,890; Planning and Zoning increased by \$150; Public Works increased by \$12,005; Streets, Highways, and Drains increased by \$5,300; Culture and Recreation increased by \$2,700; and Capital Outlay increased by \$87,825. Major expenditures include Fire Department equipment, Ecology Drive paving, new administrative software, a sidewalk to the veteran's memorial, and park improvements.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2010

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>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Land	\$ 112,255	\$ 112,255	\$ 2,061	\$ 2,061	\$ 114,316	\$ 114,316
Land Improvements	65,079	91,043	0	0	65,079	91,043
Buildings and Improvements	749,467	752,667	0	0	749,467	752,667
Facilities and Mains	0	0	14,120,465	14,120,465	14,120,465	14,120,465
Furniture and Equipment	635,746	698,149	485,709	503,105	1,121,455	1,201,254
Vehicles	1,039,320	1,143,436	8,138	8,138	1,047,458	1,151,574
Infrastructure	3,894,511	4,093,454	0	0	3,894,511	4,093,454
Less: Acc. Depreciation	<u>(1,637,731)</u>	<u>(1,891,360)</u>	<u>(5,050,454)</u>	<u>(5,416,876)</u>	<u>(6,688,185)</u>	<u>(7,308,236)</u>
Total Capital Assets, Net Of Depreciation	<u>\$ 4,858,647</u>	<u>\$ 4,999,644</u>	<u>\$ 9,565,919</u>	<u>\$ 9,216,893</u>	<u>\$14,424,566</u>	<u>\$14,216,537</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>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
General Government	\$ 855,000	\$ 775,000	\$ 0	\$ 0	\$ 855,000	\$ 775,000
Revenue Bonds	0	0	4,161,000	4,076,000	4,161,000	4,076,000
County Contract	<u>0</u>	<u>0</u>	<u>925,000</u>	<u>810,000</u>	<u>925,000</u>	<u>810,000</u>
Total Long-Term Debt	<u>\$ 855,000</u>	<u>\$ 775,000</u>	<u>\$ 5,086,000</u>	<u>\$ 4,886,000</u>	<u>\$ 5,941,000</u>	<u>\$ 5,661,000</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. 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. While we continue to depend on state constitutional revenue sharing, we have become independent of state statutory revenue sharing. Regional collaboration is also being actively pursued with other area municipalities. Economic development activities must be realized through an open-system environment.

The 2010/11 focus will be a continued investment in our infrastructure, while providing best-value services to our residents. We strive to establish public/private partnerships, promoting entrepreneurialism and small business development. This is encouraged by allowing the utilization of incentive programs, which include a Commercial Rehabilitation District. 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 Adam Smith, Village Manager, or Lenore Spahr, Finance Director/Treasurer, Village of Jonesville, 265 East Chicago Street, Jonesville, Michigan 49250.

VILLAGE OF JONESVILLE
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 322,474	\$ 177,864	\$ 500,338	\$ 34,023
Investments	1,439,080	1,333,492	2,772,572	713,858
Accounts Receivable	1,375	23,158	24,533	1,742
Internal Balances	322	(322)	0	0
Due from Other Governmental Units	100,496	0	100,496	0
Inventory	2,929	5,918	8,847	0
Prepaid Expense	8,987	1,339	10,326	21
Total Current Assets	<u>\$ 1,875,663</u>	<u>\$ 1,541,449</u>	<u>\$ 3,417,112</u>	<u>\$ 749,644</u>
Noncurrent Assets				
Capital Assets				
Loan Refinancing Costs	\$ 0	\$ 16,666	\$ 16,666	\$ 0
Land	112,255	2,061	114,316	97,544
Land Improvements	91,043	0	91,043	0
Buildings & Improvements	752,667	0	752,667	0
Facilities & Mains	0	14,120,465	14,120,465	0
Furniture & Equipment	698,149	503,105	1,201,254	0
Vehicles	1,143,436	8,138	1,151,574	0
Infrastructure	4,093,454	0	4,093,454	0
Less: Accumulated Depreciation	<u>(1,891,360)</u>	<u>(5,416,876)</u>	<u>(7,308,236)</u>	<u>0</u>
Total Noncurrent Assets	<u>\$ 4,999,644</u>	<u>\$ 9,233,559</u>	<u>\$14,233,203</u>	<u>\$ 97,544</u>
Total Assets	<u>\$ 6,875,307</u>	<u>\$10,775,008</u>	<u>\$17,650,315</u>	<u>\$ 847,188</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 56,157	\$ 18,132	\$ 74,289	\$ 29,825
Accrued Payroll	5,922	2,094	8,016	0
Customer Deposits	0	400	400	0
Interest Payable	6,197	93,114	99,311	0
Current Portion of Long-Term Debt	35,000	207,000	242,000	0
Total Current Liabilities	<u>\$ 103,276</u>	<u>\$ 320,740</u>	<u>\$ 424,016</u>	<u>\$ 29,825</u>
Noncurrent Liabilities				
Bonds, County Contract	\$ 740,000	\$ 4,679,000	\$ 5,419,000	\$ 0
Less: Bond Discount	0	(5,520)	(5,520)	0
Compensated Absences	130,627	45,305	175,932	0
Total Noncurrent Liabilities	<u>\$ 870,627</u>	<u>\$ 4,718,785</u>	<u>\$ 5,589,412</u>	<u>\$ 0</u>
Total Liabilities	<u>\$ 973,903</u>	<u>\$ 5,039,525</u>	<u>\$ 6,013,428</u>	<u>\$ 29,825</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 4,218,447	\$ 4,259,965	\$ 8,478,412	\$ 97,544
Restricted for: Replacement	0	519,293	519,293	0
Debt Service	57,944	418,502	476,446	0
Unrestricted	<u>1,625,013</u>	<u>537,723</u>	<u>2,162,736</u>	<u>719,819</u>
Total Net Assets	<u>\$ 5,901,404</u>	<u>\$ 5,735,483</u>	<u>\$11,636,887</u>	<u>\$ 817,363</u>
Total Liabilities and Net Assets	<u>\$ 6,875,307</u>	<u>\$10,775,008</u>	<u>\$17,650,315</u>	<u>\$ 847,188</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF JONESVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

<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	\$ 395,197	\$ 15,312	\$ 169,706	\$ 0	\$ (210,179)
Public Safety	499,735	51,870	0	0	(447,865)
Economic & Community Development	2,499	1,500	0	0	(999)
Public Works	39,329	0	0	0	(39,329)
Streets, Highways, and Drains	296,534	0	214,819	163,126	81,411
Sanitation	1,271	0	0	0	(1,271)
Culture and Recreation	56,029	15,515	11,452	0	(29,062)
Interest on Long-Term Debt	37,190	0	0	0	(37,190)
Depreciation - Unallocated ¹	49,720	0	0	0	(49,720)
Total Governmental Activities	<u>\$ 1,377,504</u>	<u>\$ 84,197</u>	<u>\$ 395,977</u>	<u>\$ 163,126</u>	<u>\$ (734,204)</u>
Business-type Activities:					
Water	\$ 275,869	\$ 282,829	\$ 85,000	\$ 0	\$ 91,960
Sewer	806,505	706,333	50,000	0	(50,172)
Total Business-type Activities	<u>\$ 1,082,374</u>	<u>\$ 989,162</u>	<u>\$ 135,000</u>	<u>\$ 0</u>	<u>\$ 41,788</u>
Total Primary Government	<u>\$ 2,459,878</u>	<u>\$ 1,073,359</u>	<u>\$ 530,977</u>	<u>\$ 163,126</u>	<u>\$ (692,416)</u>
Component Units:					
Downtown Development Authority	\$ 101,467	\$ 0	\$ 0	\$ 0	\$ (101,467)
Local Development Finance Authority	32,870	0	0	0	(32,870)
Total Component Units	<u>\$ 134,337</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (134,337)</u>
Primary Government					
		<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Component</u>
		<u>Activities</u>	<u>Activities</u>		<u>Units</u>
Change in Net Assets:					
Net (Expense) Revenue		\$ (734,204)	\$ 41,788	\$ (692,416)	\$ (134,337)
General Revenue:					
Property Taxes Levied for General Purposes		\$ 552,910	\$ 0	\$ 552,910	\$ 0
Property Taxes Levied for Local Streets		217,971	0	217,971	0
Property Taxes Captured		0	0	0	483,902
State Shared Revenue		197,990	0	197,990	0
Unrestricted Investment Income		3,256	4,316	7,572	549
Miscellaneous		20,323	17,190	37,513	11,149
Total General Revenue		<u>\$ 992,450</u>	<u>\$ 21,506</u>	<u>\$ 1,013,956</u>	<u>\$ 495,600</u>
Transfers		\$ 45,000	\$ (45,000)	\$ 0	\$ (466,678)
Change in Net Assets		\$ 303,246	\$ 18,294	\$ 321,540	\$ (105,415)
Net Assets – Beginning		<u>5,598,158</u>	<u>5,717,189</u>	<u>11,315,347</u>	<u>922,778</u>
Net Assets – Ending		<u>\$ 5,901,404</u>	<u>\$ 5,735,483</u>	<u>\$11,636,887</u>	<u>\$ 817,363</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, 2010

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 140,889	\$ 43,842	\$ 43,122	\$ 58,466	\$ 286,319
Investments	575,999	0	595,601	0	1,171,600
Accounts Receivable	995	0	0	0	995
Due from Other Funds	2,188	65	218	0	2,471
Due from Other Governmental Units	67,263	20,100	7,700	5,433	100,496
Inventory	2,929	0	0	0	2,929
Prepaid Expenditures	<u>8,359</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,359</u>
Total Assets	<u>\$ 798,622</u>	<u>\$ 64,007</u>	<u>\$ 646,641</u>	<u>\$ 63,899</u>	<u>\$ 1,573,169</u>
LIABILITIES					
Accounts Payable	\$ 47,554	\$ 711	\$ 3,395	\$ 733	\$ 52,393
Due to Other Funds	2,706	1,079	2,021	2,859	8,665
Salaries Payable	<u>5,328</u>	<u>135</u>	<u>204</u>	<u>0</u>	<u>5,667</u>
Total Liabilities	<u>\$ 55,588</u>	<u>\$ 1,925</u>	<u>\$ 5,620</u>	<u>\$ 3,592</u>	<u>\$ 66,725</u>
FUND BALANCES					
Unreserved, reported in:					
General Fund	\$ 743,034	\$ 0	\$ 0	\$ 0	\$ 743,034
Special Revenue Funds	0	62,082	641,021	2,363	705,466
Reserved, reported in:					
Debt Retirement Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>57,944</u>	<u>57,944</u>
Total Fund Balances	<u>\$ 743,034</u>	<u>\$ 62,082</u>	<u>\$ 641,021</u>	<u>\$ 60,307</u>	<u>\$ 1,506,444</u>
Total Liabilities and Fund Balances	<u>\$ 798,622</u>	<u>\$ 64,007</u>	<u>\$ 646,641</u>	<u>\$ 63,899</u>	<u>\$ 1,573,169</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 Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2010

Fund Balances - total governmental funds	\$ 1,506,444
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>	
Add: Capital assets	6,891,004
Deduct: Accumulated depreciation	(1,891,360)
<p>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 assets.</p>	
Add: Internal Service Fund assets	311,743
Deduct: Internal Service Fund liabilities	(4,603)
<p>Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.</p>	
Deduct: Bonds and notes payable	(775,000)
Deduct: Accrued interest on bonds and notes payable	(6,197)
Deduct: Compensated absences	<u>(130,627)</u>
Net assets of governmental activities	<u>\$ 5,901,404</u>

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, 2010

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUE					
Property Taxes	\$ 563,867	\$ 0	\$ 217,971	\$ 0	\$ 781,838
Licenses and Permits	3,105	0	0	0	3,105
State Shared Revenue	197,990	128,857	40,454	0	367,301
Charges and Fees	54,621	0	0	0	54,621
State Highway Contract	0	0	0	23,367	23,367
Recreation	26,967	0	0	0	26,967
Rents and Royalties	11,528	0	0	0	11,528
Contributions	21,153	0	2,141	0	23,294
Interest	1,706	22	1,409	119	3,256
Contributions from Component Units	192,026	29,600	20,000	90,053	331,679
Miscellaneous	8,478	78	238	0	8,794
Total Revenue	<u>\$ 1,081,441</u>	<u>\$ 158,557</u>	<u>\$ 282,213</u>	<u>\$ 113,539</u>	<u>\$ 1,635,750</u>
EXPENDITURES					
General Government	\$ 391,074	\$ 0	\$ 0	\$ 0	\$ 391,074
Public Safety	412,118	0	0	0	412,118
Economic & Community Development	2,499	0	0	0	2,499
Public Works	23,522	0	0	0	23,522
Streets, Highways, and Drains	32,415	108,392	239,191	21,619	401,617
Sanitation	1,271	0	0	0	1,271
Culture and Recreation	43,540	0	0	0	43,540
Capital Outlay	101,596	0	0	0	101,596
Debt Service – Principal	0	0	0	80,000	80,000
- Interest	0	0	0	37,365	37,365
Total Expenditures	<u>\$ 1,008,035</u>	<u>\$ 108,392</u>	<u>\$ 239,191</u>	<u>\$ 138,984</u>	<u>\$ 1,494,602</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 73,406</u>	<u>\$ 50,165</u>	<u>\$ 43,022</u>	<u>\$ (25,445)</u>	<u>\$ 141,148</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	\$ 82,844	\$ 0	\$ 0	\$ 63,182	\$ 146,026
Operating Transfers Out	(22,308)	(10,450)	(73,632)	0	(106,390)
Total Other Financing Sources (Uses)	<u>\$ 60,536</u>	<u>\$ (10,450)</u>	<u>\$ (73,632)</u>	<u>\$ 63,182</u>	<u>\$ 39,636</u>
NET CHANGE IN FUND BALANCES	\$ 133,942	\$ 39,715	\$ (30,610)	\$ 37,737	\$ 180,784
FUND BALANCES – Beginning	<u>609,092</u>	<u>22,367</u>	<u>671,631</u>	<u>22,570</u>	<u>1,325,660</u>
FUND BALANCES – Ending	<u>\$ 743,034</u>	<u>\$ 62,082</u>	<u>\$ 641,021</u>	<u>\$ 60,307</u>	<u>\$ 1,506,444</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, 2010

Net changes in fund balances - total governmental funds \$ 180,784

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	282,003
Deduct: Depreciation expense	(301,692)

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 \$101,163 (before depreciation) is reported with governmental activities in the statement of net assets.

53,671

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 assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct: New debt issued	0
Add: Principal payments on long-term debt	80,000

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.

Add: Decrease in interest payable on long-term liabilities	175
Add: Decrease in accrual for compensated absences	<u>8,305</u>

Change in net assets of governmental activities \$ 303,246

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

	<u>Enterprise Funds</u>		Total Enterprise Funds	Internal Service Funds
	<u>Water</u>	<u>Sewer</u>		
ASSETS				
Current Assets				
Cash	\$ 48,480	\$ 43,964	\$ 92,444	\$ 36,155
Investments	481,117	0	481,117	267,480
Accounts Receivable	6,161	16,997	23,158	380
Due from Other Funds	0	200	200	7,100
Inventory	2,259	3,659	5,918	0
Prepaid Expense	204	1,135	1,339	628
Total Current Assets	<u>\$ 538,221</u>	<u>\$ 65,955</u>	<u>\$ 604,176</u>	<u>\$ 311,743</u>
Restricted Assets				
General Purpose	\$ 31,030	\$ 16,360	\$ 47,390	\$ 0
Bond Interest and Redemption	49,115	89,998	139,113	0
Bond Reserve	40,037	239,352	279,389	0
Replacement	0	471,903	471,903	0
Total Restricted Assets	<u>\$ 120,182</u>	<u>\$ 817,613</u>	<u>\$ 937,795</u>	<u>\$ 0</u>
Noncurrent Assets				
Loan Refinancing Costs	\$ 16,666	\$ 0	\$ 16,666	\$ 0
Capital Assets - Not Depreciated	2,061	0	2,061	0
Other Capital Assets, Net of Accumulated Depreciation	<u>1,722,632</u>	<u>7,492,200</u>	<u>9,214,832</u>	<u>494,902</u>
Total Noncurrent Assets	<u>\$ 1,741,359</u>	<u>\$ 7,492,200</u>	<u>\$ 9,233,559</u>	<u>\$ 494,902</u>
Total Assets	<u>\$ 2,399,762</u>	<u>\$ 8,375,768</u>	<u>\$10,775,530</u>	<u>\$ 806,645</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 5,065	\$ 13,067	\$ 18,132	\$ 3,764
Accrued Payroll	862	1,232	2,094	255
Due to Other Funds	411	111	522	584
Customer Deposits	200	200	400	0
Total Current Liabilities	<u>\$ 6,538</u>	<u>\$ 14,610</u>	<u>\$ 21,148</u>	<u>\$ 4,603</u>
Liabilities Payable from Restricted Assets				
Accrued Interest Payable	\$ 7,704	\$ 85,410	\$ 93,114	\$ 0
Revenue Bonds - Current	15,000	72,000	87,000	0
Contract Payable - Current	<u>120,000</u>	<u>0</u>	<u>120,000</u>	<u>0</u>
Total Liabilities Payable from Restricted Assets	<u>\$ 142,704</u>	<u>\$ 157,410</u>	<u>\$ 300,114</u>	<u>\$ 0</u>
Noncurrent Liabilities				
Contract Payable	\$ 690,000	\$ 0	\$ 690,000	\$ 0
Less: Bond Discount	(5,520)	0	(5,520)	0
Revenue Bonds/USDA Loan Payable	75,000	3,914,000	3,989,000	0
Compensated Absences	<u>18,064</u>	<u>27,241</u>	<u>45,305</u>	<u>0</u>
Total Noncurrent Liabilities	<u>\$ 777,544</u>	<u>\$ 3,941,241</u>	<u>\$ 4,718,785</u>	<u>\$ 0</u>
Total Liabilities	<u>\$ 926,786</u>	<u>\$ 4,113,261</u>	<u>\$ 5,040,047</u>	<u>\$ 4,603</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 839,175	\$ 3,420,790	\$ 4,259,965	\$ 494,902
Restricted by Bond Covenants	120,182	817,613	937,795	0
Unrestricted	<u>513,619</u>	<u>24,104</u>	<u>537,723</u>	<u>307,140</u>
Total Net Assets	<u>\$ 1,472,976</u>	<u>\$ 4,262,507</u>	<u>\$ 5,735,483</u>	<u>\$ 802,042</u>
Total Liabilities and Net Assets	<u>\$ 2,399,762</u>	<u>\$ 8,375,768</u>	<u>\$10,775,530</u>	<u>\$ 806,645</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Enterprise Funds</u>		<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>		
OPERATING REVENUE				
Sales	\$ 263,779	\$ 706,333	\$ 970,112	\$ 0
Connections Fees	1,350	0	1,350	0
Equipment Rental	17,700	0	17,700	91,948
Other	<u>11,100</u>	<u>6,090</u>	<u>17,190</u>	<u>6,550</u>
Total Operating Revenue	<u>\$ 293,929</u>	<u>\$ 712,423</u>	<u>\$1,006,352</u>	<u>\$ 98,498</u>
OPERATING EXPENSES				
Sewage Disposal	\$ 0	\$ 342,037	\$ 342,037	\$ 0
Water Plant Operation	99,351	0	99,351	0
Water Distribution Expenses	49,826	0	49,826	0
Depreciation	83,899	282,523	366,422	76,035
Motor Vehicle Expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>86,731</u>
Total Operating Expenses	<u>\$ 233,076</u>	<u>\$ 624,560</u>	<u>\$ 857,636</u>	<u>\$ 162,766</u>
OPERATING INCOME (LOSS)	<u>\$ 60,853</u>	<u>\$ 87,863</u>	<u>\$ 148,716</u>	<u>\$ (64,268)</u>
NON-OPERATING REVENUE (EXPENSES)				
Interest Income	\$ 3,238	\$ 1,078	\$ 4,316	\$ 736
Interest Expense	<u>(42,793)</u>	<u>(181,945)</u>	<u>(224,738)</u>	<u>0</u>
Total Non-operating Revenue (Expense)	<u>\$ (39,555)</u>	<u>\$ (180,867)</u>	<u>\$ (220,422)</u>	<u>\$ 736</u>
Income (Loss) Before Contributions and Transfers	<u>\$ 21,298</u>	<u>\$ (93,004)</u>	<u>\$ (71,706)</u>	<u>\$ (63,532)</u>
CONTRIBUTIONS AND TRANSFERS				
Contributions from Component Units	\$ 85,000	\$ 50,000	\$ 135,000	\$ 0
Contributions from Other Governments	0	0	0	13,860
Transfers From Other Funds	0	0	0	27,308
Transfers To Other Funds	<u>(21,000)</u>	<u>(24,000)</u>	<u>(45,000)</u>	<u>0</u>
Total Contributions and Transfers	<u>\$ 64,000</u>	<u>\$ 26,000</u>	<u>\$ 90,000</u>	<u>\$ 41,168</u>
CHANGE IN NET ASSETS	<u>\$ 85,298</u>	<u>\$ (67,004)</u>	<u>\$ 18,294</u>	<u>\$ (22,364)</u>
NET ASSETS – Beginning	<u>1,387,678</u>	<u>4,329,511</u>	<u>5,717,189</u>	<u>824,406</u>
NET ASSETS – Ending	<u>\$ 1,472,976</u>	<u>\$ 4,262,507</u>	<u>\$ 5,735,483</u>	<u>\$ 802,042</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<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	\$ 281,363	\$ 704,078	\$ 985,441	\$ 0
Cash received from interfund services provided	0	0	0	91,858
Cash payments to suppliers for goods and services	(108,115)	(218,637)	(326,752)	(67,504)
Cash payments to employees and professional contractors for services	(53,190)	(131,143)	(184,333)	(18,392)
Other operating receipts	<u>11,100</u>	<u>6,090</u>	<u>17,190</u>	<u>6,550</u>
Net cash provided (used) by operating activities	<u>\$ 131,158</u>	<u>\$ 360,388</u>	<u>\$ 491,546</u>	<u>\$ 12,512</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Contributions from Component Units	\$ 85,000	\$ 50,000	\$ 135,000	\$ 0
Contributions from other governments	0	0	0	13,860
Transfers from other funds	0	0	0	27,308
Transfers to other funds	<u>(21,000)</u>	<u>(24,000)</u>	<u>(45,000)</u>	<u>0</u>
Net cash provided (used) by non-capital financing activities	<u>\$ 64,000</u>	<u>\$ 26,000</u>	<u>\$ 90,000</u>	<u>\$ 41,168</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	\$ (13,505)	\$ (3,891)	\$ (17,396)	\$(160,686)
Principal paid on bonds	(130,000)	(70,000)	(200,000)	0
Interest paid on bonds	<u>(37,593)</u>	<u>(183,070)</u>	<u>(220,663)</u>	<u>0</u>
Net cash provided (used) by capital and related financing activities	<u>\$(181,098)</u>	<u>\$(256,961)</u>	<u>\$ (438,059)</u>	<u>\$(160,686)</u>
CASH FLOWS FORM INVESTING ACTIVITIES				
Investment income	<u>\$ 3,238</u>	<u>\$ 1,078</u>	<u>\$ 4,316</u>	<u>\$ 736</u>
Net cash provided (used) by investment activities	<u>\$ 3,238</u>	<u>\$ 1,078</u>	<u>\$ 4,316</u>	<u>\$ 736</u>
NET INCREASE (DECREASE) IN CASH	\$ 17,298	\$ 130,505	\$ 147,803	\$(106,270)
CASH AND CASH EQUIVALENTS - Beginning	<u>632,481</u>	<u>731,072</u>	<u>1,363,553</u>	<u>409,905</u>
CASH AND CASH EQUIVALENTS - Ending	<u>\$ 649,779</u>	<u>\$ 861,577</u>	<u>\$ 1,511,356</u>	<u>\$ 303,635</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 60,853	\$ 87,863	\$ 148,716	\$ (64,268)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	83,899	282,523	366,422	76,035
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(1,465)	(2,055)	(3,520)	670
(Increase) decrease in due from other funds	0	(200)	(200)	(760)
(Increase) decrease in inventories	265	(2,468)	(2,203)	0
(Increase) decrease in prepaid expense	(15)	83	68	(44)
Increase (decrease) in accounts payable	(12,047)	2,169	(9,878)	780
Increase (decrease) in wages and benefits payable	(214)	(2,323)	(2,537)	100
Increase (decrease) in due to other funds	(1,412)	(5,666)	(7,078)	(1)
Increase (decrease) in customer deposits	100	100	200	0
Increase (decrease) in compensated absences	<u>1,194</u>	<u>362</u>	<u>1,556</u>	<u>0</u>
Net cash provided (used) by operating activities	<u>\$ 131,158</u>	<u>\$ 360,388</u>	<u>\$ 491,546</u>	<u>\$ 12,512</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2010

ASSETS

Cash

\$ 1,415

LIABILITIES

Payroll deductions withheld

\$ 1,415

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
 COMBINING STATEMENT OF NET ASSETS
 COMPONENT UNITS
 JUNE 30, 2010

	<u>DDA</u>	<u>LDFA</u>	<u>Total Component Units</u>
ASSETS			
Current Assets			
Cash	\$ 24,200	\$ 9,823	\$ 34,023
Investments	276,345	437,513	713,858
Accounts Receivable	30	1,712	1,742
Prepaid Expense	<u>21</u>	<u>0</u>	<u>21</u>
Total Current Assets	<u>\$ 300,596</u>	<u>\$ 449,048</u>	<u>\$ 749,644</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>\$ 300,596</u>	<u>\$ 546,592</u>	<u>\$ 847,188</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	<u>\$ 28,344</u>	<u>\$ 1,481</u>	<u>\$ 29,825</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 0	\$ 97,544	\$ 97,544
Unrestricted	<u>272,252</u>	<u>447,567</u>	<u>719,819</u>
Total Net Assets	<u>\$ 272,252</u>	<u>\$ 545,111</u>	<u>\$ 817,363</u>
Total Liabilities and Net Assets	<u>\$ 300,596</u>	<u>\$ 546,592</u>	<u>\$ 847,188</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
 COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 FOR THE YEAR ENDED JUNE 30, 2010

	<u>DDA</u>	<u>LDFA</u>	<u>Total Component Units</u>
EXPENSES			
Downtown Development	\$ 101,467	\$ 0	\$ 101,467
Industrial Development	0	32,870	32,870
Contributions to Village activities	<u>287,578</u>	<u>179,100</u>	<u>466,678</u>
Total Expenses	<u>\$ 389,045</u>	<u>\$ 211,970</u>	<u>\$ 601,015</u>
PROGRAM REVENUE			
Charges for Services	\$ 0	\$ 0	\$ 0
Operating Grants and Contributions	0	0	0
Capital Grants and Contributions	<u>0</u>	<u>0</u>	<u>0</u>
Total Program Revenue	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
NET (EXPENSE) REVENUE	<u>\$(389,045)</u>	<u>\$(211,970)</u>	<u>\$(601,015)</u>
GENERAL REVENUE			
Property Taxes Captured	\$ 243,897	\$ 240,005	\$ 483,902
Land Rent	0	11,149	11,149
Investment Income	228	321	549
Other Income	<u>0</u>	<u>0</u>	<u>0</u>
Total General Revenue	<u>\$ 244,125</u>	<u>\$ 251,475</u>	<u>\$ 495,600</u>
CHANGE IN NET ASSETS	\$(144,920)	\$ 39,505	\$(105,415)
NET ASSETS – Beginning	<u>417,172</u>	<u>505,606</u>	<u>922,778</u>
NET ASSETS - Ending	<u>\$ 272,252</u>	<u>\$ 545,111</u>	<u>\$ 817,363</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, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Jonesville comprises a population of approximately 2,337 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 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 assets 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, 2010

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). The Village applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Village does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

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.

VILLAGE OF JONESVILLE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

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 Assets

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 assets 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, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 assets.

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 assets. 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 the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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.

Restricted Resources - When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

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.

VILLAGE OF JONESVILLE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

- 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.

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.

Deposits

Following are the components of the Village's bank deposits at June 30, 2010:

	Primary Government	Component Units
Cash on hand	\$ 450	\$ 0
Checking and savings accounts	499,886	34,023
Certificates of deposit	<u>87,427</u>	<u>0</u>
	<u>\$ 587,763</u>	<u>\$ 34,023</u>

Investments

Following are the components of the Village's investments at June 30, 2010:

Federated Automated Government Money Trust	\$ 55,585	\$ 0
MBIA CLASS Investment Pool	<u>2,629,562</u>	<u>713,858</u>
	<u>\$ 2,685,147</u>	<u>\$ 713,858</u>

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.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

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, 2010, the Village’s investment in the MBIA CLASS Investment Pool and the Federated Automated Government Money Trust were both 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, 2010, the carrying amount of the Village’s deposits was \$621,786 and the bank balance was \$694,857. Of the bank balance, \$495,945 was covered by federal depository insurance and \$198,912 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, 2010, 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.

A summary of the principal items of receivables follows:

	General	Major	Local	Other		
	<u>Fund</u>	<u>Street</u>	<u>Street</u>	Governmental	Proprietary	<u>Total</u>
State Revenue Sharing	\$ 63,864	\$ 20,100	\$ 6,271	\$ 0	\$ 0	\$ 90,235
Property Taxes	3,399	0	1,429	0	0	4,828
State Highway Contract	0	0	0	5,433	0	5,433
Utility customers	0	0	0	0	22,975	22,975
Other Receivables	995	0	0	0	183	1,178
Total	<u>\$ 68,258</u>	<u>\$ 20,100</u>	<u>\$ 7,700</u>	<u>\$ 5,433</u>	<u>\$ 23,158</u>	<u>\$ 124,649</u>

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
PRIMARY GOVERNMENT				
<u>Governmental Activities</u>				
Capital assets not being depreciated				
Land	\$ 112,255	\$ 0	\$ 0	\$ 112,255
Capital assets being depreciated				
Land Improvements	\$ 65,079	\$ 25,964	\$ 0	\$ 91,043
Buildings & Improvements	749,467	3,200	0	752,667
Furniture & Equipment	635,746	106,395	(43,992)	698,149
Vehicles	1,039,320	134,579	(30,463)	1,143,436
Infrastructure	3,894,511	198,943	0	4,093,454
Less accumulated depreciation	<u>(1,637,731)</u>	<u>(301,692)</u>	<u>48,063</u>	<u>(1,891,360)</u>
Total capital assets being depreciated, net	<u>\$ 4,746,392</u>	<u>\$ 167,389</u>	<u>\$ (26,392)</u>	<u>\$ 4,887,389</u>
Total capital assets, net	<u>\$ 4,858,647</u>	<u>\$ 167,389</u>	<u>\$ (26,392)</u>	<u>\$ 4,999,644</u>
 <u>Business-Type Activities</u>				
Capital assets not being depreciated				
Land	\$ 2,061	\$ 0	\$ 0	\$ 2,061
Capital assets being depreciated				
Facilities & Mains	\$14,120,465	\$ 0	\$ 0	\$14,120,465
Machinery & Equipment	485,709	17,396	0	503,105
Vehicles	8,138	0	0	8,138
Less accumulated depreciation	<u>(5,050,454)</u>	<u>(366,422)</u>	<u>0</u>	<u>(5,416,876)</u>
Total capital assets being depreciated, net	<u>\$ 9,563,858</u>	<u>\$ (349,026)</u>	<u>\$ 0</u>	<u>\$ 9,214,832</u>
Total capital assets, net	<u>\$ 9,565,919</u>	<u>\$ (349,026)</u>	<u>\$ 0</u>	<u>\$ 9,216,893</u>
PRIMARY GOVERNMENT				
Total capital assets, net	<u>\$14,424,566</u>	<u>\$ (181,637)</u>	<u>\$ (26,392)</u>	<u>\$14,216,537</u>
 COMPONENT UNITS				
Capital assets not being depreciated				
Land	\$ 97,544	\$ 0	\$ 0	\$ 97,544

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

Governmental Activities:		Business-Type Activities:	
General Government	\$ 12,428	Water	\$ 83,899
Public Safety	87,617	Sewer	282,523
Public Improvements	15,807	Total	<u>\$ 366,422</u>
Streets, Highways and Drains	123,631		
Culture and Recreation	12,489		
Unallocated	49,720		
Total	<u>\$ 301,692</u>		

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at June 30, 2010, is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 2,188	State Highway	\$ 1,604
		Motor Vehicle Pool	584
Motor Vehicle Pool	7,100	General Fund	2,423
		Major Streets	1,079
		Local Streets	2,021
		State Highway	1,255
		Sewer Fund	111
		Water Fund	211
Major Street Fund	65	General Fund	65
Local Street Fund	218	General Fund	218
	<u>\$ 9,571</u>		<u>\$ 9,571</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	\$ 10,450	\$ 10,450	\$ 20,000	\$ 20,000	\$ 21,944	\$ 82,844
Debt Service	0	0	63,182	0	0	0	63,182
Motor Vehicle Pool	22,308	0	0	4,000	1,000	0	27,308
Total	<u>\$ 22,308</u>	<u>\$ 10,450</u>	<u>\$ 73,632</u>	<u>\$ 24,000</u>	<u>\$ 21,000</u>	<u>\$ 21,944</u>	<u>\$173,334</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 assets.

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.

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.

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.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7 - LONG-TERM DEBT (continued)

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. On March 22, 2007, the County refinanced the bonds for a lower interest rate and revised the related contract payment schedule.

The following is a summary of changes in long-term debt for the year ended June 30, 2010:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>
Primary Government				
<i>Governmental Activities</i>				
Downtown Streetscape Bonds	\$ 190,000	\$ 0	\$ (45,000)	\$ 145,000
East Street Bonds	665,000	0	(35,000)	630,000
Compensated Absences	<u>138,932</u>	<u>0</u>	<u>(8,305)</u>	<u>130,627</u>
Total Governmental Activities	<u>\$ 993,932</u>	<u>\$ 0</u>	<u>\$ (88,305)</u>	<u>\$ 905,627</u>
<i>Business-type Activities</i>				
Revenue Bonds - Sewer Fund	\$ 210,000	\$ 0	\$ (20,000)	\$ 190,000
USDA Loan - Sewer Fund	3,846,000	0	(50,000)	3,796,000
Revenue Bonds - Water Fund	105,000	0	(15,000)	90,000
County Contract - Water Fund	925,000	0	(115,000)	810,000
Compensated Absences	<u>43,749</u>	<u>1,556</u>	<u>0</u>	<u>45,305</u>
Total Business-type Activities	<u>\$5,129,749</u>	<u>\$ 1,556</u>	<u>\$ (200,000)</u>	<u>\$4,931,305</u>
Total Primary Government Long-Term Debt	<u>\$6,123,681</u>	<u>\$ 1,556</u>	<u>\$ (288,305)</u>	<u>\$5,836,932</u>

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>
Downtown Streetscape Bonds	5.00 %	5/1/14	\$ 0
East Street Bonds	3.00% - 4.90%	5/1/23	35,000
Revenue Bonds - Sewer Fund	5.00%	1/1/18	20,000
USDA Loan - Sewage Treatment Plan	4.00%	4/22/43	52,000
Revenue Bonds - Water Fund - Project #2	5.00%	1/1/16	15,000
County Contract	4.30% - 5.70%	11/1/15	<u>120,000</u>
			<u>\$ 242,000</u>

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7 - LONG-TERM DEBT (continued)

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>
2011	\$ 35,000	\$ 37,185	\$ 207,000	214,935
2012	80,000	33,620	214,000	206,005
2013	90,000	30,033	226,000	196,725
2014	90,000	25,982	239,000	186,805
2015	45,000	21,683	247,000	176,378
2016-2020	255,000	78,513	594,000	769,385
2021-2025	180,000	17,400	440,000	671,655
2026-2030	0	0	552,000	562,860
2031-2035	0	0	687,000	427,095
2036-2040	0	0	854,000	258,210
2041-2043	0	0	626,000	57,060
Total	<u>\$ 775,000</u>	<u>\$ 244,416</u>	<u>\$ 4,886,000</u>	<u>\$ 3,727,113</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	\$ 22,500	Salaries and wages	\$ 22,500
Street light electricity	4,500	Purchases/improvements	133,526
		Parking lots	9,000
<u>Major Streets Fund</u>		<u>Local Streets Fund</u>	
Gaige Street project	9,954	Portion of millage captured	10,000
General street repairs	19,646		
<u>Local Streets Fund</u>		<u>Water Fund</u>	
Portion of millage captured	10,000	Water tower debt service	10,000
<u>Water Fund</u>		<u>Sewer Fund</u>	
Water tower debt service	75,000	Sewer plant debt service	12,500
<u>Sewer Fund</u>		<u>Debt Service Fund</u>	
Sewer plant debt service	37,500	Downtown streetscape debt service	90,052
TOTAL	<u>\$ 179,100</u>		<u>\$ 287,578</u>

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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.

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 2009 was 16.388 mills - 11.7057 mills allocated to General Fund, and 4.6823 mills allocated to Street Funds. The 2009 total state taxable value was approximately \$73,100,000 (\$61,860,000 ad valorem and \$11,240,000 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 2009-10 is as follows:

Asset Value - July 1, 2009	\$ 1,001,481
Employer Contributions	48,528
Employee Contributions	46,453
Investment Gain (Loss)	82,046
Distributions	<u>(157,793)</u>
Asset Value - June 30, 2010	<u>\$ 1,020,715</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.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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.

NOTE 15 – COMMITMENTS

At its July 7, 2010 meeting the Village Council approved a contract for the reconstruction of Case, Craig, and Murphy Streets in the amount of \$427,917. At the September 1, 2010 meeting, the Council approved issuance of \$300,000 in bonds for the Murphy Street portion. The bonds were issued on October 14, 2010.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 9, 2010, the date on which the financial statements were available to be issued.

VILLAGE OF JONESVILLE
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under) <u>Final Budget</u>
REVENUE				
Property Taxes	\$ 539,620	\$ 564,620	\$ 563,867	\$ (753)
Licenses and Permits	1,000	3,000	3,105	105
State Shared Revenue	193,500	193,500	197,990	4,490
Charges and Fees	67,100	69,100	54,621	(14,479)
Recreation	19,000	26,400	26,967	567
Rents and Royalties	11,000	11,000	11,528	528
Contributions	5,353	5,353	21,153	15,800
Reimbursements	120,000	121,700	5,115	(116,585)
Interest	10,000	1,600	1,706	106
Contributions from Component Units	58,200	178,850	192,026	13,176
Miscellaneous	1,000	3,000	3,363	363
Total Revenue	<u>\$ 1,025,773</u>	<u>\$ 1,178,123</u>	<u>\$ 1,081,441</u>	<u>\$ (96,682)</u>
EXPENDITURES				
General Government				
Village Council	\$ 25,000	\$ 25,000	\$ 22,887	\$ (2,113)
Village Manager	72,450	84,750	84,725	(25)
Elections	0	0	0	0
General Office	147,832	179,982	179,960	(22)
Treasurer	1,800	2,300	2,034	(266)
Data Processing	3,575	8,275	7,796	(479)
Village Hall	11,285	11,285	8,948	(2,337)
Fringe Benefits	298,655	152,875	68,759	(84,116)
Insurance	16,500	16,500	15,965	(535)
Public Safety				
Police	286,619	328,619	324,410	(4,209)
Fire	118,335	100,785	87,708	(13,077)
Economic & Community Development				
Planning & Zoning	5,850	6,000	2,499	(3,501)
Public Works				
Parking Lots	5,450	9,250	8,070	(1,180)
Sidewalks	4,000	4,000	1,937	(2,063)
Other	5,320	13,525	13,515	(10)
Streets, Highways, and Drains				
Street Lighting	27,200	32,500	32,415	(85)
Sanitation				
Landfill	1,300	1,500	1,271	(229)
Culture and Recreation				
Recreation	22,950	28,650	28,621	(29)
Parks	19,950	16,950	14,919	(2,031)
Capital Outlay	0	87,825	101,596	13,771
Total Expenditures	<u>\$ 1,074,071</u>	<u>\$ 1,110,571</u>	<u>\$ 1,008,035</u>	<u>\$ (102,536)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (48,298)</u>	<u>\$ 67,552</u>	<u>\$ 73,406</u>	<u>\$ 5,854</u>

VILLAGE OF JONESVILLE
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010
 (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)				
Transfers In	\$ 60,000	\$ 61,650	\$ 82,844	\$ 21,194
Transfers Out	<u>0</u>	<u>(21,200)</u>	<u>(22,308)</u>	<u>(1,108)</u>
Total Other Financing Sources (Uses)	<u>\$ 60,000</u>	<u>\$ 40,450</u>	<u>\$ 60,536</u>	<u>\$ 20,086</u>
NET CHANGE IN FUND BALANCES	\$ 11,702	\$ 108,002	\$ 133,942	\$ 25,940
FUND BALANCES - Beginning	<u>609,092</u>	<u>609,092</u>	<u>609,092</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 620,794</u>	<u>\$ 717,094</u>	<u>\$ 743,034</u>	<u>\$ 25,940</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, 2010

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
State Shared Revenue	\$ 130,000	\$ 130,000	\$ 128,857	\$ (1,143)
Interest	50	50	22	(28)
Contributions from Component Units	0	105,000	29,600	(75,400)
Miscellaneous	<u>0</u>	<u>0</u>	<u>78</u>	<u>78</u>
Total Revenue	<u>\$ 130,050</u>	<u>\$ 235,050</u>	<u>\$ 158,557</u>	<u>\$ (76,493)</u>
EXPENDITURES				
Street Construction	\$ 0	\$ 105,000	\$ 32,528	\$ (72,472)
Routine Maintenance	80,600	80,400	51,638	(28,762)
Traffic Control	9,450	9,450	8,691	(759)
Winter Maintenance	<u>28,750</u>	<u>28,500</u>	<u>15,535</u>	<u>(12,965)</u>
Total Expenditures	<u>\$ 118,800</u>	<u>\$ 223,350</u>	<u>\$ 108,392</u>	<u>\$(114,958)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 11,250</u>	<u>\$ 11,700</u>	<u>\$ 50,165</u>	<u>\$ 38,465</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0
Transfers Out	<u>(10,000)</u>	<u>(10,450)</u>	<u>(10,450)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>\$ (10,000)</u>	<u>\$ (10,450)</u>	<u>\$ (10,450)</u>	<u>\$ 0</u>
NET CHANGE IN FUND BALANCES	\$ 1,250	\$ 1,250	\$ 39,715	\$ 38,465
FUND BALANCES - Beginning	<u>22,367</u>	<u>22,367</u>	<u>22,367</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 23,617</u>	<u>\$ 23,617</u>	<u>\$ 62,082</u>	<u>\$ 38,465</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, 2010

	<u>Budget Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under) <u>Final Budget</u>
REVENUE				
Property Taxes	\$ 200,100	\$ 200,100	\$ 217,971	\$ 17,871
State Shared Revenue	41,000	41,000	40,454	(546)
Contributions	2,140	2,140	2,141	1
Contributions from Component Units	20,000	20,000	20,000	0
Interest	10,000	10,000	1,409	(8,591)
Miscellaneous	<u>0</u>	<u>0</u>	<u>238</u>	<u>238</u>
Total Revenue	<u>\$ 273,240</u>	<u>\$ 273,240</u>	<u>\$ 282,213</u>	<u>\$ 8,973</u>
EXPENDITURES				
Street Construction	\$ 210,600	\$ 210,600	\$ 157,242	\$ (53,358)
Routine Maintenance	104,450	104,300	64,709	(39,591)
Traffic Control	4,675	4,675	2,690	(1,985)
Winter Maintenance	<u>17,650</u>	<u>17,350</u>	<u>14,550</u>	<u>(2,800)</u>
Total Expenditures	<u>\$ 337,375</u>	<u>\$ 336,925</u>	<u>\$ 239,191</u>	<u>\$ (97,734)</u>
REVENUE OVER (UNDER) EXPENDITURES	\$ (64,135)	\$ (63,685)	\$ 43,022	\$ 106,707
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(72,658)</u>	<u>(73,632)</u>	<u>(73,632)</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	\$(136,793)	\$(137,317)	\$ (30,610)	\$ 106,707
FUND BALANCES - Beginning	<u>671,631</u>	<u>671,631</u>	<u>671,631</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 534,838</u>	<u>\$ 534,314</u>	<u>\$ 641,021</u>	<u>\$ 106,707</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Debt Service <u>Fund</u>	Special Revenue State Highway <u>Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 57,944	\$ 522	\$ 58,466
Due from Other Governmental Units	<u>0</u>	<u>5,433</u>	<u>5,433</u>
Total Assets	<u>\$ 57,944</u>	<u>\$ 5,955</u>	<u>\$ 63,899</u>
LIABILITIES			
Accounts Payable	\$ 0	\$ 733	\$ 733
Due to Other Funds	0	2,859	2,859
Salaries Payable	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 3,592</u>	<u>\$ 3,592</u>
FUND BALANCE			
Reserved for Debt Service	\$ 57,944	\$ 0	\$ 57,944
Unreserved/Undesignated	<u>0</u>	<u>2,363</u>	<u>2,363</u>
Total Fund Balances	<u>\$ 57,944</u>	<u>\$ 2,363</u>	<u>\$ 60,307</u>
Total Liabilities and Fund Balances	<u>\$ 57,944</u>	<u>\$ 5,955</u>	<u>\$ 63,899</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, 2010

	Debt Service <u>Fund</u>	State Highway <u>Fund</u>	<u>Total</u>
REVENUE			
State Highway Contract	\$ 0	\$ 23,367	\$ 23,367
Contribution from Component Units	90,053	0	90,053
Interest Income	<u>119</u>	<u>0</u>	<u>119</u>
Total Revenue	<u>\$ 90,172</u>	<u>\$ 23,367</u>	<u>\$ 113,539</u>
EXPENDITURES			
Streets, Highways, Drains			
Routine Maintenance	\$ 0	\$ 11,804	\$ 11,804
Traffic Control	0	65	65
Winter Maintenance	0	9,750	9,750
Debt Service			
Principal	80,000	0	80,000
Interest	<u>37,365</u>	<u>0</u>	<u>37,365</u>
Total Expenditures	<u>\$ 117,365</u>	<u>\$ 21,619</u>	<u>\$ 138,984</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	\$ (27,193)	\$ 1,748	\$ (25,445)
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	<u>63,182</u>	<u>0</u>	<u>63,182</u>
NET CHANGES IN FUND BALANCES	\$ 35,989	\$ 1,748	\$ 37,737
FUND BALANCES - Beginning	<u>21,955</u>	<u>615</u>	<u>22,570</u>
FUND BALANCES - Ending	<u>\$ 57,944</u>	<u>\$ 2,363</u>	<u>\$ 60,307</u>

The accompanying notes are an integral part of this statement.

Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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 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 Village of Jonesville as of and for the year ended June 30, 2010, which collectively comprise the Village of Jonesville's basic financial statements and have issued our report thereon dated November 9, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Jonesville's internal control over financial reporting as a basis for designing our audit procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Jonesville's internal control over financial reporting.

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.

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 over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 9, 2010