

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

479 E. CHICAGO STREET
P.O. BOX 215
JONESVILLE, MI 49250

PHONE: (517) 849-2410
FAX: (517) 849-2493
E-MAIL: BAILEYHODSHIRE@SBCGLOBAL.NET

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, 2011, 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, 2011, 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 October 13, 2011, 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
October 13, 2011

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2011

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, 2011. 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 \$11,546,515 (net assets) at the close of this fiscal year. Net assets at the beginning of the fiscal year totaled \$11,636,887, showing a decrease of \$90,372 during the current year. This decrease is due to reductions in property tax revenues (\$70,000), and water and sewer sales (\$40,000).
- The Village's governmental funds reported total ending fund balance of \$1,434,682 of which \$800,639 is unassigned and unrestricted, and available for spending at the Village's discretion. This compares to the prior year ending fund balance of \$1,506,444 showing a decrease of \$71,762 during the current year. The reduction is a result of over \$400,000 in street improvements (Murphy, Case, and Craig Streets).
- At the end of the current year, fund balance for the General Fund was \$815,844, or 80.6% of total General Fund expenditures. This is an increase of \$72,810 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, 2011

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 \$11,546,515 (net assets) at the close of this fiscal year. Net assets at the beginning of the fiscal year totaled \$11,636,887, showing a decrease of \$90,372 over the prior year. This decrease is due to reductions in property tax revenues (\$70,000), and water and sewer sales (\$40,000).

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2011

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

NET ASSETS

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2010	2011	2010	2011	2010	2011
Current Assets	\$ 1,875,663	\$ 1,845,177	\$ 1,541,449	\$ 1,637,907	\$ 3,417,112	\$ 3,483,084
Non-current Assets	<u>4,999,644</u>	<u>5,236,374</u>	<u>9,233,559</u>	<u>8,907,974</u>	<u>14,233,203</u>	<u>14,144,348</u>
Total Assets	<u>\$ 6,875,307</u>	<u>\$ 7,081,551</u>	<u>\$10,775,008</u>	<u>\$10,545,881</u>	<u>\$17,650,315</u>	<u>\$17,627,432</u>
Current Liabilities	\$ 103,276	\$ 140,693	\$ 320,740	\$ 350,305	\$ 424,016	\$ 490,998
Non-current Liabilities	<u>870,627</u>	<u>1,080,915</u>	<u>4,718,785</u>	<u>4,509,004</u>	<u>5,589,412</u>	<u>5,589,919</u>
Total Liabilities	<u>\$ 973,903</u>	<u>\$ 1,221,608</u>	<u>\$ 5,039,525</u>	<u>\$ 4,859,309</u>	<u>\$ 6,013,428</u>	<u>\$ 6,080,917</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	\$ 4,218,447	\$ 4,233,911	\$ 4,259,965	\$ 4,144,660	\$ 8,478,412	\$ 8,378,571
Restricted	57,944	9,258	937,795	979,084	995,739	988,342
Unrestricted	<u>1,625,013</u>	<u>1,616,774</u>	<u>537,723</u>	<u>562,828</u>	<u>2,162,736</u>	<u>2,179,602</u>
Total Net Assets	<u>\$ 5,901,404</u>	<u>\$ 5,859,943</u>	<u>\$ 5,735,483</u>	<u>\$ 5,686,572</u>	<u>\$11,636,887</u>	<u>\$11,546,515</u>

The Village reported positive balances in net assets for governmental and business-type activities. Net assets decreased \$41,461 for governmental activities and decreased \$48,911 for business-type activities; therefore, the Village's overall financial position declined only slightly during fiscal year 2011 (less than a 1% decrease in net assets). As noted earlier, these decreases are due to reductions in property tax revenues (\$70,000), and water and sewer sales (\$40,000). In spite of the national recession, we experienced only a slight decrease in overall financial position.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2011

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

CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
Program Revenue						
Charges for Services	\$ 84,197	\$ 90,509	\$ 989,162	\$ 949,275	\$ 1,073,359	\$ 1,039,784
Operating Grants and Contributions	395,977	355,023	135,000	110,000	530,977	465,023
Capital Grants and Contributions	163,126	28,690	0	0	163,126	28,690
General Revenue						
Property Taxes	770,881	700,528	0	0	770,881	700,528
State Shared Revenue	197,990	196,474	0	0	197,990	196,474
Unrestricted Investment Income	3,256	2,205	4,316	3,065	7,572	5,270
Other	<u>20,323</u>	<u>17,906</u>	<u>17,190</u>	<u>23,375</u>	<u>37,513</u>	<u>41,281</u>
Total Revenue	<u>\$ 1,635,750</u>	<u>\$ 1,391,335</u>	<u>\$ 1,145,668</u>	<u>\$ 1,085,715</u>	<u>\$ 2,781,418</u>	<u>\$ 2,477,050</u>
Expenses						
General Government	\$ 395,197	\$ 389,067	\$ 0	\$ 0	\$ 395,197	\$ 389,067
Public Safety	499,735	522,264	0	0	499,735	522,264
Economic & Community Development	2,499	3,689	0	0	2,499	3,689
Public Improvements	39,329	48,364	0	0	39,329	48,364
Streets, Highways, Drains	296,534	367,683	0	0	296,534	367,683
Sanitation	1,271	1,114	0	0	1,271	1,114
Culture & Recreation	56,029	55,220	0	0	56,029	55,220
Interest on Long-Term Debt	37,190	41,337	0	0	37,190	41,337
Depreciation - Unallocated	49,720	49,058	0	0	49,720	49,058
Water Utility	0	0	275,869	319,796	275,869	319,796
Sewer Utility	0	0	806,505	769,830	806,505	769,830
Total Expenses	<u>\$ 1,377,504</u>	<u>\$ 1,477,796</u>	<u>\$ 1,082,374</u>	<u>\$ 1,089,626</u>	<u>\$ 2,459,878</u>	<u>\$ 2,567,422</u>
Transfers	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>\$ (45,000)</u>	<u>\$ (45,000)</u>	<u>\$ 0</u>	<u>\$ 0</u>
CHANGE IN NET ASSETS	<u>\$ 303,246</u>	<u>\$ (41,461)</u>	<u>\$ 18,294</u>	<u>\$ (48,911)</u>	<u>\$ 321,540</u>	<u>\$ (90,372)</u>

Governmental Activities decreased the Village's net assets by \$41,461. This represents a decrease from last year's change in net assets. This is due to a reduction of \$70,000 in property tax revenues.

Revenues from governmental activities totaled \$1,391,335. Property tax revenue represented the largest portion of those revenues (50.3%), operating grants and contributions was 25.5%, state shared revenue was 14.1%, and charges for services was 6.5% of the total.

The largest components of governmental activities' expenses were public safety (35.3%), general government (26.3%), and streets, highways, and drains (24.9%). 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 assets by \$48,911. 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. This is due to a \$40,000 reduction in water and sewer sales.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2011

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, 2011, the Village's governmental funds reported combined ending fund balances of \$1,434,682. Of this total, approximately 55.8% was unrestricted and unassigned, indicating availability for continuing Village service requirements. Although a substantial amount is unrestricted, future plans include the development of another Village park, expanding the Industrial Park, rehabilitating the downtown streetscape, 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 \$815,844. Other Major Governmental Funds include Major and Local Streets. Non-major governmental funds include the State Highway and Debt Service funds. The Major and Local Street Funds experienced decreases in fund balances, due to infrastructure improvements on Murphy Street, Case and Craig Streets, and debt payments made on the East Street resurfacing project.

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 \$5,686,572 at June 30, 2011, a decrease of \$48,911 from the previous fiscal year, due to a reduction in water and sewer sales. The Motor Vehicle Pool's net assets at the end of this fiscal year were \$788,540, a decrease of \$13,502 from the previous fiscal year. The Motor Vehicle Pool reduction is due to having a new cold storage pole building built.

Major Governmental Funds Budgeting and Operating Highlights

General Fund - The difference between the original and final amended budget for General Fund revenues was \$88,226, with the original budget being \$884,848, and the final budget being \$973,074. The difference between the two numbers includes a decrease in property tax revenue. The original budget was \$564,620, and the final budget was \$520,620, with actual property taxes being \$512,199. The difference between the appropriations originally budgeted and the final appropriations budget was \$110,450 (\$922,840 vs. \$1,033,290). General Government expenditures decreased by \$6,275; Public Safety increased by \$2,525; Planning and Zoning remained the same; Public Works increased by \$10,325; Streets, Highways, and Drains increased by \$4,090; Culture and Recreation increased by \$3,850; and Capital Outlay increased by \$95,935. Capital expenditures include: street lights and a right of way on Gaige Street; the purchase of the former Klein Tools property; truck bay heaters and equipment for the Fire Department; communications radios for the Department of Public Works the Police Department, and the Fire Department; and an ice skating rink.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2011

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>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Land	\$ 112,255	\$ 139,995	\$ 2,061	\$ 2,061	\$ 114,316	\$ 142,056
Land Improvements	91,043	91,043	0	0	91,043	91,043
Buildings and Improvements	752,667	793,638	0	0	752,667	793,638
Facilities and Mains	0	0	14,120,465	14,149,156	14,120,465	14,149,156
Furniture and Equipment	698,149	740,637	503,105	523,475	1,201,254	1,264,112
Vehicles	1,143,436	1,147,381	8,138	0	1,151,574	1,147,381
Infrastructure	4,093,454	4,514,631	0	0	4,093,454	4,514,631
Less: Acc. Depreciation	<u>(1,891,360)</u>	<u>(2,190,951)</u>	<u>(5,416,876)</u>	<u>(5,780,606)</u>	<u>(7,308,236)</u>	<u>(7,971,557)</u>
Total Capital Assets, Net Of Depreciation	<u>\$ 4,999,644</u>	<u>\$ 5,236,374</u>	<u>\$ 9,216,893</u>	<u>\$ 8,894,086</u>	<u>\$14,216,537</u>	<u>\$14,130,460</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>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
General Government	\$ 775,000	\$ 995,000	\$ 0	\$ 0	\$ 775,000	\$ 995,000
Revenue Bonds	0	0	4,076,000	3,989,000	4,076,000	3,989,000
County Contract	<u>0</u>	<u>0</u>	<u>810,000</u>	<u>690,000</u>	<u>810,000</u>	<u>690,000</u>
Total Long-Term Debt	<u>\$ 775,000</u>	<u>\$ 995,000</u>	<u>\$ 4,886,000</u>	<u>\$ 4,679,000</u>	<u>\$ 5,661,000</u>	<u>\$ 5,674,000</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. What was formerly known as statutory revenue sharing is being used solely for capital expenditures. Regional collaboration is also being actively pursued with other area municipalities. Economic development activities must be realized through an open-system environment.

The 2011/12 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 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, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 251,476	\$ 259,812	\$ 511,288	\$ 73,247
Investments	1,492,084	1,351,223	2,843,307	743,832
Accounts Receivable	12,085	22,943	35,028	1,742
Internal Balances	666	(666)	0	0
Due from Other Governmental Units	72,980	0	72,980	0
Inventory	3,242	3,609	6,851	0
Prepaid Expense	12,644	986	13,630	24
Total Current Assets	<u>\$ 1,845,177</u>	<u>\$ 1,637,907</u>	<u>\$ 3,483,084</u>	<u>\$ 818,845</u>
Noncurrent Assets				
Capital Assets				
Loan Refinancing Costs	\$ 0	\$ 13,888	\$ 13,888	\$ 0
Land	139,995	2,061	142,056	97,544
Land Improvements	91,043	0	91,043	0
Buildings & Improvements	793,638	0	793,638	0
Facilities & Mains	0	14,149,156	14,149,156	0
Furniture & Equipment	740,637	523,475	1,264,112	0
Vehicles	1,147,381	0	1,147,381	0
Infrastructure	4,514,631	0	4,514,631	0
Less: Accumulated Depreciation	<u>(2,190,951)</u>	<u>(5,780,606)</u>	<u>(7,971,557)</u>	<u>0</u>
Total Noncurrent Assets	<u>\$ 5,236,374</u>	<u>\$ 8,907,974</u>	<u>\$14,144,348</u>	<u>\$ 97,544</u>
Total Assets	<u>\$ 7,081,551</u>	<u>\$10,545,881</u>	<u>\$17,627,432</u>	<u>\$ 916,389</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 60,633	\$ 44,239	\$ 104,872	\$ 4,708
Accrued Payroll	9,313	2,552	11,865	0
Customer Deposits	0	600	600	0
Interest Payable	7,463	88,914	96,377	0
Deferred Revenue	3,284	0	3,284	0
Current Portion of Long-Term Debt	<u>60,000</u>	<u>214,000</u>	<u>274,000</u>	<u>0</u>
Total Current Liabilities	<u>\$ 140,693</u>	<u>\$ 350,305</u>	<u>\$ 490,998</u>	<u>\$ 4,708</u>
Noncurrent Liabilities				
Bonds, County Contract	\$ 935,000	\$ 4,465,000	\$ 5,400,000	\$ 0
Less: Bond Discount	0	(4,600)	(4,600)	0
Compensated Absences	<u>145,915</u>	<u>48,604</u>	<u>194,519</u>	<u>0</u>
Total Noncurrent Liabilities	<u>\$ 1,080,915</u>	<u>\$ 4,509,004</u>	<u>\$ 5,589,919</u>	<u>\$ 0</u>
Total Liabilities	<u>\$ 1,221,608</u>	<u>\$ 4,859,309</u>	<u>\$ 6,080,917</u>	<u>\$ 4,708</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 4,233,911	\$ 4,144,660	\$ 8,378,571	\$ 97,544
Restricted for: Replacement	0	581,893	581,893	0
Debt Service	9,258	397,191	406,449	0
Unrestricted	<u>1,616,774</u>	<u>562,828</u>	<u>2,179,602</u>	<u>814,137</u>
Total Net Assets	<u>\$ 5,859,943</u>	<u>\$ 5,686,572</u>	<u>\$11,546,515</u>	<u>\$ 911,681</u>
Total Liabilities and Net Assets	<u>\$ 7,081,551</u>	<u>\$10,545,881</u>	<u>\$17,627,432</u>	<u>\$ 916,389</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF JONESVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

<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	\$ 389,067	\$ 14,226	\$ 124,675	\$ 0	\$ (250,166)
Public Safety	522,264	62,853	0	28,690	(430,721)
Economic & Community Development	3,689	500	0	0	(3,189)
Public Works	48,364	0	0	0	(48,364)
Streets, Highways, and Drains	367,683	0	213,750	0	(153,933)
Sanitation	1,114	0	0	0	(1,114)
Culture and Recreation	55,220	12,930	16,598	0	(25,692)
Interest on Long-Term Debt	41,337	0	0	0	(41,337)
Depreciation - Unallocated ¹	49,058	0	0	0	(49,058)
Total Governmental Activities	<u>\$ 1,477,796</u>	<u>\$ 90,509</u>	<u>\$ 355,023</u>	<u>\$ 28,690</u>	<u>\$ (1,003,574)</u>
Business-type Activities:					
Water	\$ 319,796	\$ 281,059	\$ 75,000	\$ 0	\$ 36,263
Sewer	769,830	668,216	35,000	0	(66,614)
Total Business-type Activities	<u>\$ 1,089,626</u>	<u>\$ 949,275</u>	<u>\$ 110,000</u>	<u>\$ 0</u>	<u>\$ (30,351)</u>
Total Primary Government	<u>\$ 2,567,422</u>	<u>\$ 1,039,784</u>	<u>\$ 465,023</u>	<u>\$ 28,690</u>	<u>\$ (1,033,925)</u>
Component Units:					
Downtown Development Authority	\$ 131,542	\$ 0	\$ 0	\$ 0	\$ (131,542)
Local Development Finance Authority	28,958	0	0	0	(28,958)
Total Component Units	<u>\$ 160,500</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (160,500)</u>
Primary Government					
		<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
Change in Net Assets:					
Net (Expense) Revenue		\$(1,003,574)	\$ (30,351)	\$ (1,033,925)	\$ (160,500)
General Revenue:					
Property Taxes Levied for General Purposes		\$ 502,182	\$ 0	\$ 502,182	\$ 0
Property Taxes Levied for Local Streets		198,346	0	198,346	0
Property Taxes Captured		0	0	0	453,327
State Shared Revenue		196,474	0	196,474	0
Unrestricted Investment Income		2,205	3,065	5,270	877
Miscellaneous		17,906	23,375	41,281	29,637
Total General Revenue		<u>\$ 917,113</u>	<u>\$ 26,440</u>	<u>\$ 943,553</u>	<u>\$ 483,841</u>
Transfers		\$ 45,000	\$ (45,000)	\$ 0	\$ (229,023)
Change in Net Assets		\$ (41,461)	\$ (48,911)	\$ (90,372)	\$ 94,318
Net Assets – Beginning		<u>5,901,404</u>	<u>5,735,483</u>	<u>11,636,887</u>	<u>817,363</u>
Net Assets – Ending		<u>\$ 5,859,943</u>	<u>\$ 5,686,572</u>	<u>\$ 11,546,515</u>	<u>\$ 911,681</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, 2011

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 160,659	\$ 16,429	\$ 32,168	\$ 10,247	\$ 219,503
Investments	633,277	9	555,789	0	1,189,075
Accounts Receivable	10,861	0	220	0	11,081
Due from Other Funds	5,142	0	0	0	5,142
Due from Other Governmental Units	41,273	20,086	8,002	3,619	72,980
Inventory	3,242	0	0	0	3,242
Prepaid Expenditures	<u>11,963</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,963</u>
Total Assets	<u>\$ 866,417</u>	<u>\$ 36,524</u>	<u>\$ 596,179</u>	<u>\$ 13,866</u>	<u>\$ 1,512,986</u>
LIABILITIES					
Accounts Payable	\$ 36,371	\$ 16,632	\$ 5,776	\$ 0	\$ 58,779
Due to Other Funds	5,444	2,046	1,368	1,406	10,264
Salaries Payable	<u>8,758</u>	<u>276</u>	<u>181</u>	<u>46</u>	<u>9,261</u>
Total Liabilities	<u>\$ 50,573</u>	<u>\$ 18,954</u>	<u>\$ 7,325</u>	<u>\$ 1,452</u>	<u>\$ 78,304</u>
FUND BALANCES					
Nonspendable	\$ 15,205	\$ 0	\$ 0	\$ 0	\$ 15,205
Restricted	0	17,570	588,854	3,156	609,580
Committed	0	0	0	0	0
Assigned	0	0	0	9,258	9,258
Unassigned	<u>800,639</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>800,639</u>
Total Fund Balances	<u>\$ 815,844</u>	<u>\$ 17,570</u>	<u>\$ 588,854</u>	<u>\$ 12,414</u>	<u>\$ 1,434,682</u>
Total Liabilities and Fund Balances	<u>\$ 866,417</u>	<u>\$ 36,524</u>	<u>\$ 596,179</u>	<u>\$ 13,866</u>	<u>\$ 1,512,986</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, 2011

Fund Balances - total governmental funds	\$ 1,434,682
--	--------------

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

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

Add: Capital assets	7,427,325
Deduct: Accumulated depreciation	(2,190,951)

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.

Add: Internal Service Fund assets	346,244
Deduct: Internal Service Fund liabilities	(8,979)

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	(995,000)
Deduct: Accrued interest on bonds and notes payable	(7,463)
Deduct: Compensated absences	<u>(145,915)</u>

Net assets of governmental activities	<u>\$ 5,859,943</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, 2011

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUE					
Property Taxes	\$ 512,199	\$ 0	\$ 198,346	\$ 0	\$ 710,545
Licenses and Permits	2,445	0	0	0	2,445
State Shared Revenue	196,474	130,679	40,800	0	367,953
Charges and Fees	65,117	0	0	0	65,117
State Highway Contract	0	0	0	30,130	30,130
Recreation	29,528	0	0	0	29,528
Rents and Royalties	11,704	0	0	0	11,704
Grants	28,690	0	0	0	28,690
Contributions	5,353	0	2,141	0	7,494
Interest	1,166	28	840	171	2,205
Contributions from Component Units	116,347	0	10,000	2,975	129,322
Miscellaneous	4,363	1,496	343	0	6,202
Total Revenue	<u>\$ 973,386</u>	<u>\$ 132,203</u>	<u>\$ 252,470</u>	<u>\$ 33,276</u>	<u>\$ 1,391,335</u>
EXPENDITURES					
General Government	\$ 361,351	\$ 0	\$ 0	\$ 0	\$ 361,351
Public Safety	430,048	0	0	0	430,048
Economic & Community Development	3,689	0	0	0	3,689
Public Works	32,557	0	0	0	32,557
Streets, Highways, and Drains	34,089	469,158	173,054	29,338	705,639
Sanitation	1,114	0	0	0	1,114
Culture and Recreation	42,444	0	0	0	42,444
Capital Outlay	106,679	0	0	0	106,679
Debt Service – Principal	0	0	0	80,000	80,000
- Interest	0	0	0	40,071	40,071
Total Expenditures	<u>\$ 1,011,971</u>	<u>\$ 469,158</u>	<u>\$ 173,054</u>	<u>\$ 149,409</u>	<u>\$ 1,803,592</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (38,585)</u>	<u>\$(336,955)</u>	<u>79,416</u>	<u>\$(116,133)</u>	<u>\$ (412,257)</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	\$ 132,530	\$ 9,000	\$ 0	\$ 68,240	\$ 209,770
Bond Proceeds	0	300,000	0	0	300,000
Operating Transfers Out	(21,135)	(16,557)	(131,583)	0	(169,275)
Total Other Financing Sources (Uses)	<u>\$ 111,395</u>	<u>\$ 292,443</u>	<u>\$ (131,583)</u>	<u>\$ 68,240</u>	<u>\$ 340,495</u>
NET CHANGE IN FUND BALANCES	\$ 72,810	\$ (44,512)	(52,167)	\$ (47,893)	\$ (71,762)
FUND BALANCES – Beginning	<u>743,034</u>	<u>62,082</u>	<u>641,021</u>	<u>60,307</u>	<u>1,506,444</u>
FUND BALANCES – Ending	<u>\$ 815,844</u>	<u>\$ 17,570</u>	<u>\$ 588,854</u>	<u>\$ 12,414</u>	<u>\$ 1,434,682</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, 2011

Net changes in fund balances - total governmental funds \$ (71,762)

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	522,849
Deduct: Depreciation expense	(319,955)

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 assets.

63,961

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	(300,000)
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.

Deduct: Increase in interest payable on long-term liabilities	(1,266)
Deduct: Increase in accrual for compensated absences	<u>(15,288)</u>

Change in net assets of governmental activities \$ (41,461)

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	<u>Enterprise Funds</u>		Total Enterprise Funds	Internal Service Funds
	<u>Water</u>	<u>Sewer</u>		
ASSETS				
Current Assets				
Cash	\$ 103,408	\$ 72,154	\$ 175,562	\$ 31,973
Investments	422,745	33,644	456,389	303,009
Accounts Receivable	6,718	16,225	22,943	1,004
Due from Other Funds	0	125	125	9,577
Inventory	1,788	1,821	3,609	0
Prepaid Expense	<u>167</u>	<u>819</u>	<u>986</u>	<u>681</u>
Total Current Assets	<u>\$ 534,826</u>	<u>\$ 124,788</u>	<u>\$ 659,614</u>	<u>\$ 346,244</u>
Restricted Assets				
General Purpose	\$ 31,030	\$ 16,360	\$ 47,390	\$ 0
Bond Interest and Redemption	3,114	91,586	94,700	0
Bond Reserve	40,037	262,454	302,491	0
Replacement	<u>0</u>	<u>534,503</u>	<u>534,503</u>	<u>0</u>
Total Restricted Assets	<u>\$ 74,181</u>	<u>\$ 904,903</u>	<u>\$ 979,084</u>	<u>\$ 0</u>
Noncurrent Assets				
Loan Refinancing Costs	\$ 13,888	\$ 0	\$ 13,888	\$ 0
Capital Assets - Not Depreciated	2,061	0	2,061	0
Other Capital Assets, Net of Accumulated Depreciation	<u>1,676,062</u>	<u>7,215,963</u>	<u>8,892,025</u>	<u>451,275</u>
Total Noncurrent Assets	<u>\$ 1,692,011</u>	<u>\$ 7,215,963</u>	<u>8,907,974</u>	<u>\$ 451,275</u>
Total Assets	<u>\$ 2,301,018</u>	<u>\$ 8,245,654</u>	<u>\$10,546,672</u>	<u>\$ 797,519</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 9,808	\$ 34,431	\$ 44,239	\$ 1,854
Accrued Payroll	841	1,711	2,552	52
Due to Other Funds	328	463	791	3,789
Customer Deposits	300	300	600	0
Deferred Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,284</u>
Total Current Liabilities	<u>\$ 11,277</u>	<u>\$ 36,905</u>	<u>\$ 48,182</u>	<u>\$ 8,979</u>
Liabilities Payable from Restricted Assets				
Accrued Interest Payable	\$ 4,674	\$ 84,240	\$ 88,914	\$ 0
Revenue Bonds - Current	15,000	74,000	89,000	0
Contract Payable - Current	<u>125,000</u>	<u>0</u>	<u>125,000</u>	<u>0</u>
Total Liabilities Payable from Restricted Assets	<u>\$ 144,674</u>	<u>\$ 158,240</u>	<u>\$ 302,914</u>	<u>\$ 0</u>
Noncurrent Liabilities				
Contract Payable	\$ 565,000	\$ 0	\$ 565,000	\$ 0
Less: Bond Discount	(4,600)	0	(4,600)	0
Revenue Bonds/USDA Loan Payable	60,000	3,840,000	3,900,000	0
Compensated Absences	<u>20,475</u>	<u>28,129</u>	<u>48,604</u>	<u>0</u>
Total Noncurrent Liabilities	<u>\$ 640,875</u>	<u>\$ 3,868,129</u>	<u>\$ 4,509,004</u>	<u>\$ 0</u>
Total Liabilities	<u>\$ 796,826</u>	<u>\$ 4,063,274</u>	<u>\$ 4,860,100</u>	<u>\$ 8,979</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 926,937	\$ 3,217,723	\$ 4,144,660	\$ 451,275
Restricted by Bond Covenants	74,181	904,903	979,084	0
Unrestricted	<u>503,074</u>	<u>59,754</u>	<u>562,828</u>	<u>337,265</u>
Total Net Assets	<u>\$ 1,504,192</u>	<u>\$ 4,182,380</u>	<u>\$ 5,686,572</u>	<u>\$ 788,540</u>
Total Liabilities and Net Assets	<u>\$ 2,301,018</u>	<u>\$ 8,245,654</u>	<u>\$10,546,672</u>	<u>\$ 797,519</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, 2011

	<u>Enterprise Funds</u>		Total Enterprise Funds	Internal Service Funds
	<u>Water</u>	<u>Sewer</u>		
OPERATING REVENUE				
Sales	\$ 263,359	\$ 668,216	\$ 931,575	\$ 0
Connections Fees	0	0	0	0
Equipment Rental	17,700	0	17,700	110,238
Other	<u>14,175</u>	<u>9,200</u>	<u>23,375</u>	<u>2,569</u>
Total Operating Revenue	<u>\$ 295,234</u>	<u>\$ 677,416</u>	<u>\$ 972,650</u>	<u>\$ 112,807</u>
OPERATING EXPENSES				
Sewage Disposal	\$ 0	\$ 304,702	\$ 304,702	\$ 0
Water Plant Operation	149,916	0	149,916	0
Water Distribution Expenses	47,061	0	47,061	0
Depreciation	85,391	286,478	371,869	77,463
Motor Vehicle Expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>66,046</u>
Total Operating Expenses	<u>\$ 282,368</u>	<u>\$ 591,180</u>	<u>\$ 873,548</u>	<u>\$ 143,509</u>
OPERATING INCOME (LOSS)	<u>\$ 12,866</u>	<u>\$ 86,236</u>	<u>\$ 99,102</u>	<u>\$ (30,702)</u>
NON-OPERATING REVENUE (EXPENSES)				
Interest Income	\$ 1,778	\$ 1,287	\$ 3,065	\$ 333
Interest Expense	<u>(37,428)</u>	<u>(178,650)</u>	<u>(216,078)</u>	<u>0</u>
Total Non-operating Revenue (Expense)	<u>\$ (35,650)</u>	<u>\$ (177,363)</u>	<u>\$ (213,013)</u>	<u>\$ 333</u>
Income (Loss) Before Contributions and Transfers	<u>\$ (22,784)</u>	<u>\$ (91,127)</u>	<u>\$ (113,911)</u>	<u>\$ (30,369)</u>
CONTRIBUTIONS AND TRANSFERS				
Contributions from Component Units	\$ 75,000	\$ 35,000	\$ 110,000	\$ 0
Contributions from Other Governments	0	0	0	12,362
Transfers From Other Funds	0	0	0	26,135
Transfers To Other Funds	<u>(21,000)</u>	<u>(24,000)</u>	<u>(45,000)</u>	<u>(21,630)</u>
Total Contributions and Transfers	<u>\$ 54,000</u>	<u>\$ 11,000</u>	<u>\$ 65,000</u>	<u>\$ 16,867</u>
CHANGE IN NET ASSETS	\$ 31,216	\$ (80,127)	\$ (48,911)	\$ (13,502)
NET ASSETS – Beginning	<u>1,472,976</u>	<u>4,262,507</u>	<u>5,735,483</u>	<u>802,042</u>
NET ASSETS – Ending	<u>\$ 1,504,192</u>	<u>\$ 4,182,380</u>	<u>\$ 5,686,572</u>	<u>\$ 788,540</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF JONESVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<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	\$ 280,502	\$ 669,063	\$ 949,565	\$ 0
Cash received from interfund services provided	0	0	0	107,137
Cash payments to suppliers for goods and services	(126,861)	(163,293)	(290,154)	(41,280)
Cash payments to employees and professional contractors for services	(62,458)	(116,072)	(178,530)	(20,443)
Other operating receipts	<u>14,175</u>	<u>9,200</u>	<u>23,375</u>	<u>2,569</u>
Net cash provided (used) by operating activities	<u>\$ 105,358</u>	<u>\$ 398,898</u>	<u>\$ 504,256</u>	<u>\$ 47,983</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Contributions from Component Units	\$ 75,000	\$ 35,000	\$ 110,000	\$ 0
Contributions from other governments	0	0	0	12,362
Transfers from other funds	0	0	0	26,135
Transfers to other funds	<u>(21,000)</u>	<u>(24,000)</u>	<u>(45,000)</u>	<u>(21,630)</u>
Net cash provided (used) by non-capital financing activities	<u>\$ 54,000</u>	<u>\$ 11,000</u>	<u>\$ 65,000</u>	<u>\$ 16,867</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	\$ (38,821)	\$ (10,241)	\$ (49,062)	\$ (33,836)
Principal paid on bonds	(135,000)	(72,000)	(207,000)	0
Interest paid on bonds	<u>(36,760)</u>	<u>(179,820)</u>	<u>(216,580)</u>	<u>0</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (210,581)</u>	<u>\$ (262,061)</u>	<u>\$ (472,642)</u>	<u>\$ (33,836)</u>
CASH FLOWS FORM INVESTING ACTIVITIES				
Investment income	<u>\$ 1,778</u>	<u>\$ 1,287</u>	<u>\$ 3,065</u>	<u>\$ 333</u>
Net cash provided (used) by investment activities	<u>\$ 1,778</u>	<u>\$ 1,287</u>	<u>\$ 3,065</u>	<u>\$ 333</u>
NET INCREASE (DECREASE) IN CASH	\$ (49,445)	\$ 149,124	\$ 99,679	\$ 31,347
CASH AND CASH EQUIVALENTS - Beginning	<u>649,779</u>	<u>861,577</u>	<u>1,511,356</u>	<u>303,635</u>
CASH AND CASH EQUIVALENTS - Ending	<u>\$ 600,334</u>	<u>\$ 1,010,701</u>	<u>\$ 1,611,035</u>	<u>\$ 334,982</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 12,866	\$ 86,236	\$ 99,102	\$ (30,702)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	85,391	286,478	371,869	77,463
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(557)	772	215	(624)
(Increase) decrease in due from other funds	0	75	75	(2,477)
(Increase) decrease in inventories	471	1,838	2,309	0
(Increase) decrease in prepaid expense	37	316	353	(53)
Increase (decrease) in accounts payable	4,743	21,364	26,107	(1,910)
Increase (decrease) in wages and benefits payable	(21)	479	458	(203)
Increase (decrease) in due to other funds	(83)	352	269	3,205
Increase (decrease) in deferred revenue	0	0	0	3,284
Increase (decrease) in customer deposits	100	100	200	0
Increase (decrease) in compensated absences	<u>2,411</u>	<u>888</u>	<u>3,299</u>	<u>0</u>
Net cash provided (used) by operating activities	<u>\$ 105,358</u>	<u>\$ 398,898</u>	<u>\$ 504,256</u>	<u>\$ 47,983</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2011

ASSETS

Cash

\$ 2,187

LIABILITIES

Payroll deductions withheld

\$ 2,187

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
 COMBINING STATEMENT OF NET ASSETS
 COMPONENT UNITS
 JUNE 30, 2011

	<u>DDA</u>	<u>LDFA</u>	<u>Total Component Units</u>
ASSETS			
Current Assets			
Cash	\$ 34,467	\$ 38,780	\$ 73,247
Investments	217,396	526,436	743,832
Accounts Receivable	30	1,712	1,742
Prepaid Expense	<u>24</u>	<u>0</u>	<u>24</u>
Total Current Assets	<u>\$ 251,917</u>	<u>\$ 566,928</u>	<u>\$ 818,845</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>\$ 251,917</u>	<u>\$ 664,472</u>	<u>\$ 916,389</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	<u>\$ 1,694</u>	<u>\$ 3,014</u>	<u>\$ 4,708</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 0	\$ 97,544	\$ 97,544
Unrestricted	<u>250,223</u>	<u>563,914</u>	<u>814,137</u>
Total Net Assets	<u>\$ 250,223</u>	<u>\$ 661,458</u>	<u>\$ 911,681</u>
Total Liabilities and Net Assets	<u>\$ 251,917</u>	<u>\$ 664,472</u>	<u>\$ 916,389</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
 COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>DDA</u>	<u>LDFA</u>	<u>Total Component Units</u>
EXPENSES			
Downtown Development	\$ 131,542	\$ 0	\$ 131,542
Industrial Development	0	28,958	28,958
Contributions to Village activities	<u>62,516</u>	<u>166,507</u>	<u>229,023</u>
Total Expenses	<u>\$ 194,058</u>	<u>\$ 195,465</u>	<u>\$ 389,523</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>\$(194,058)</u>	<u>\$(195,465)</u>	<u>\$(389,523)</u>
GENERAL REVENUE			
Property Taxes Captured	\$ 155,504	\$ 297,823	\$ 453,327
Land Rent	0	13,415	13,415
Investment Income	303	574	877
Other Income	<u>16,222</u>	<u>0</u>	<u>16,222</u>
Total General Revenue	<u>\$ 172,029</u>	<u>\$ 311,812</u>	<u>\$ 483,841</u>
CHANGE IN NET ASSETS	\$ (22,029)	\$ 116,347	\$ 94,318
NET ASSETS – Beginning	<u>272,252</u>	<u>545,111</u>	<u>817,363</u>
NET ASSETS - Ending	<u>\$ 250,223</u>	<u>\$ 661,458</u>	<u>\$ 911,681</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, 2011

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, 2011

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, 2011

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, 2011

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 March, 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The Village implemented GASB Statement 54 during the year.

In the fund financial statements governmental funds 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.

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.

VILLAGE OF JONESVILLE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

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.

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, 2011:

	<u>Primary Government</u>	<u>Component Units</u>
Cash on hand	\$ 450	\$ 0
Checking and savings accounts	423,411	73,247
Certificates of deposit	87,427	0
	<u>\$ 511,288</u>	<u>\$ 73,247</u>

Investments

Following are the components of the Village's investments at June 30, 2011:

Federated Automated Government Money Trust	\$ 15,026	\$ 0
MBIA CLASS Investment Pool	2,828,821	743,832
	<u>\$ 2,843,307</u>	<u>\$ 743,832</u>

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

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, 2011, the Village's investment in the MBIA CLASS Investment Pool and the Federated Automated Government Money Trust were both rated AAAM by Standard & Pools.

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, 2011, the carrying amount of the Village's deposits was \$583,585 and the bank balance was \$604,482. Of the bank balance, \$477,468 was covered by federal depository insurance and \$157,014 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, 2011, 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>
				<u>Funds</u>	<u>Funds</u>	
State Revenue Sharing	\$ 37,237	\$ 20,086	\$ 6,270	\$ 0	\$ 0	\$ 63,593
Property Taxes	4,036	0	1,732	0	0	5,768
State Highway Contract	0	0	0	3,619	0	3,619
Utility customers	0	0	0	0	22,160	22,160
Other Receivables	<u>10,861</u>	<u>0</u>	<u>220</u>	<u>0</u>	<u>783</u>	<u>11,864</u>
Total	<u>\$ 52,134</u>	<u>\$ 20,086</u>	<u>\$ 8,222</u>	<u>\$ 3,619</u>	<u>\$ 22,943</u>	<u>\$ 107,004</u>

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, 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	\$ 27,740	\$ 0	\$ 139,995
Capital assets being depreciated				
Land Improvements	\$ 91,043	\$ 0	\$ 0	\$ 91,043
Buildings & Improvements	752,667	40,971	0	793,638
Furniture & Equipment	698,149	42,488	0	740,637
Vehicles	1,143,436	24,309	(20,364)	1,147,381
Infrastructure	4,093,454	421,177	0	4,514,631
Less accumulated depreciation	<u>(1,891,360)</u>	<u>(319,955)</u>	<u>20,364</u>	<u>(2,190,951)</u>
Total capital assets being depreciated, net	<u>\$ 4,887,389</u>	<u>\$ 208,990</u>	<u>\$ 0</u>	<u>\$ 5,096,379</u>
Total capital assets, net	<u>\$ 4,999,644</u>	<u>\$ 236,730</u>	<u>\$ 0</u>	<u>\$ 5,236,374</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	\$ 28,691	\$ 0	\$14,149,156
Machinery & Equipment	503,105	20,370	0	523,475
Vehicles	8,138	0	(8,138)	0
Less accumulated depreciation	<u>(5,416,876)</u>	<u>(371,868)</u>	<u>8,138</u>	<u>(5,780,606)</u>
Total capital assets being depreciated, net	<u>\$ 9,214,832</u>	<u>\$ (322,807)</u>	<u>\$ 0</u>	<u>\$ 8,892,025</u>
Total capital assets, net	<u>\$ 9,216,893</u>	<u>\$ (322,807)</u>	<u>\$ 0</u>	<u>\$ 8,894,086</u>
PRIMARY GOVERNMENT				
Total capital assets, net	<u>\$14,216,537</u>	<u>\$ (86,077)</u>	<u>\$ 0</u>	<u>\$14,130,460</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	\$ 85,391
Public Safety	92,216	Sewer	286,477
Public Improvements	15,807	Total	<u>\$ 371,868</u>
Streets, Highways and Drains	137,670		
Culture and Recreation	12,776		
Unallocated	49,058		
Total	<u>\$ 319,955</u>		

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at June 30, 2011, is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 5,142	Major Streets	\$ 36
		State Highway	887
		Sewer Fund	376
		Water Fund	55
		Motor Vehicle Pool	3,788
Sewer	125	Water	125
Motor Vehicle Pool	9,577	General Fund	5,444
		Major Streets	2,010
		Local Streets	1,368
		State Highway	519
		Sewer Fund	87
		Water Fund	149
	<u>\$ 14,844</u>		<u>\$ 14,844</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	\$ 60,450	\$ 20,000	\$ 20,000	\$ 21,630	\$132,530
Major Streets	0	0	9,000	0	0	0	9,000
Debt Service	0	6,107	62,133	0	0	0	68,240
Motor Vehicle Pool	21,135	0	0	4,000	1,000	0	26,135
Total	<u>\$ 21,135</u>	<u>\$ 16,557</u>	<u>\$131,583</u>	<u>\$ 24,000</u>	<u>\$ 21,000</u>	<u>\$ 21,630</u>	<u>\$235,905</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.

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.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7 - LONG-TERM DEBT (continued)

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.

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, 2011:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2011</u>
Primary Government				
<i>Governmental Activities</i>				
Downtown Streetscape Bonds	\$ 145,000	\$ 0	\$ (45,000)	\$ 100,000
East Street Bonds	630,000	0	(35,000)	595,000
Murphy Street Bonds	0	300,000	0	300,000
Compensated Absences	<u>130,627</u>	<u>15,288</u>	<u>0</u>	<u>145,915</u>
Total Governmental Activities	<u>\$ 905,627</u>	<u>\$ 315,288</u>	<u>\$ (80,000)</u>	<u>\$ 1,140,915</u>
<i>Business-type Activities</i>				
Revenue Bonds - Sewer Fund	\$ 190,000	\$ 0	\$ (20,000)	\$ 170,000
USDA Loan - Sewer Fund	3,796,000	0	(52,000)	3,744,000
Revenue Bonds - Water Fund	90,000	0	(15,000)	75,000
County Contract - Water Fund	810,000	0	(120,000)	690,000
Compensated Absences	<u>45,305</u>	<u>3,299</u>	<u>0</u>	<u>48,604</u>
Total Business-type Activities	<u>\$4,931,305</u>	<u>\$ 3,299</u>	<u>\$ (207,000)</u>	<u>\$4,727,604</u>
Total Primary Government Long-Term Debt	<u>\$5,836,932</u>	<u>\$ 318,587</u>	<u>\$ (287,000)</u>	<u>\$5,868,519</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
Murphy Street Bonds	3.50% - 3.90%	11/1/20	25,000
Revenue Bonds - Sewer Fund	5.00%	1/1/18	20,000
USDA Loan - Sewage Treatment Plan	4.00%	4/22/43	54,000
Revenue Bonds - Water Fund - Project #2	5.00%	1/1/16	15,000
County Contract	4.0% - 4.2%	11/1/15	<u>125,000</u>
			<u>\$ 274,000</u>

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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>
2012	\$ 60,000	\$ 44,343	\$ 214,000	206,005
2013	115,000	39,880	226,000	196,725
2014	115,000	34,955	239,000	186,805
2015	75,000	29,663	247,000	176,378
2016	75,000	26,753	255,000	165,465
2017-2021	435,000	83,822	419,000	745,805
2022-2026	120,000	8,760	461,000	651,855
2027-2031	0	0	577,000	538,020
2032-2036	0	0	717,000	396,180
2037-2041	0	0	892,000	219,780
2042-2043	0	0	432,000	29,160
Total	<u>\$ 995,000</u>	<u>\$ 268,176</u>	<u>\$ 4,679,000</u>	<u>\$ 3,512,178</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:

LDFA:

General Fund

Salaries and wages	\$ 25,000
Street light electricity	4,500
Purchases/improvements	17,007

Local Streets Fund

Portion of millage captured	10,000
-----------------------------	--------

Water Fund

Water tower debt service	75,000
--------------------------	--------

Sewer Fund

Sewer plant debt service	35,000
--------------------------	--------

TOTAL	<u>\$ 166,507</u>
-------	-------------------

DDA:

General Fund

Salaries and wages	\$ 25,000
Purchases/improvements	34,541

Debt Service Fund

Downtown streetscape debt service	2,975
-----------------------------------	-------

<u>\$ 62,516</u>

VILLAGE OF JONESVILLE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

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 2010 was 16.388 mills - 11.7057 mills allocated to General Fund, and 4.6823 mills allocated to Street Funds. The 2010 total state taxable value was approximately \$65,842,000 (\$56,463,000 ad valorem and \$9,379,000 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 2010-11 is as follows:

Asset Value - July 1, 2010	\$ 1,020,715
Employer Contributions	48,394
Employee Contributions	60,202
Investment Gain (Loss)	186,803
Distributions	<u>(2,679)</u>
Asset Value - June 30, 2011	<u>\$ 1,313,435</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, 2011

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 – 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	3,242	0	0	0	0
Prepaid Expenditures	11,963	0	0	0	0
Restricted:					
Streets	0	17,570	588,854	3,156	0
Assigned:					
Debt Service	0	0	0	0	9,258

NOTE 16 – COMMITMENTS

At its July 20, 2011 meeting the Village Council approved contracts totaling \$214,000 for street repair work to be completed in the 2011-12 fiscal year.

NOTE 17 – SUBSEQUENT EVENTS

On August 10, 2011 the Village was notified of approval for a \$175,000 Community Development Block Grant towards the cost of reconstructing the parking lot on the north side of the downtown business district.

Management has evaluated subsequent events through October 13, 2011, 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, 2011

	Budget Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
REVENUE				
Property Taxes	\$ 564,620	\$ 520,620	\$ 512,199	\$ (8,421)
Licenses and Permits	1,200	1,200	2,445	1,245
State Shared Revenue	146,000	195,806	196,474	668
Charges and Fees	64,650	64,650	65,117	467
Recreation	22,000	22,000	29,528	7,528
Rents and Royalties	11,000	11,000	11,704	704
Grants	0	28,700	28,690	(10)
Contributions	5,353	5,853	5,353	(500)
Reimbursements	1,000	3,690	3,194	(496)
Interest	1,600	1,600	1,166	(434)
Contributions from Component Units	66,425	116,955	116,347	(608)
Miscellaneous	1,000	1,000	1,169	169
Total Revenue	<u>\$ 884,848</u>	<u>\$ 973,074</u>	<u>\$ 973,386</u>	<u>\$ 312</u>
EXPENDITURES				
General Government				
Village Council	\$ 23,590	\$ 23,590	\$ 18,011	\$ (5,579)
Village Manager	86,812	88,812	88,734	(78)
Elections	1,000	1,000	732	(268)
General Office	191,051	194,226	194,200	(26)
Treasurer	2,000	2,000	1,865	(135)
Data Processing	2,430	5,780	5,769	(11)
Village Hall	10,972	11,672	11,669	(3)
Fringe Benefits	53,290	37,690	27,485	(10,205)
Insurance	16,100	16,100	12,809	(3,291)
Promotions	0	100	77	(23)
Public Safety				
Police	335,553	336,878	336,870	(8)
Fire	92,042	93,242	93,178	(64)
Economic & Community Development				
Planning & Zoning	4,355	4,355	3,689	(666)
Public Works				
Parking Lots	8,675	10,325	10,287	(38)
Sidewalks	5,730	430	233	(197)
Other	8,100	22,075	22,037	(38)
Streets, Highways, and Drains				
Street Lighting	30,000	34,090	34,089	(1)
Sanitation				
Landfill	1,650	1,650	1,114	(536)
Culture and Recreation				
Recreation	23,545	27,345	27,264	(81)
Parks	15,145	15,195	15,180	(15)
Capital Outlay	10,800	106,735	106,679	(56)
Total Expenditures	<u>\$ 922,840</u>	<u>\$ 1,033,290</u>	<u>\$ 1,011,971</u>	<u>\$ (21,319)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (37,992)</u>	<u>\$ (60,216)</u>	<u>\$ (38,585)</u>	<u>\$ 21,631</u>

VILLAGE OF JONESVILLE
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011
 (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	\$ 131,630	\$ 132,530	\$ 900
Transfers Out	<u>(21,800)</u>	<u>(21,200)</u>	<u>(21,135)</u>	<u>65</u>
Total Other Financing Sources (Uses)	<u>\$ 38,200</u>	<u>\$ 110,430</u>	<u>\$ 111,395</u>	<u>\$ 965</u>
NET CHANGE IN FUND BALANCES	\$ 208	\$ 50,214	\$ 72,810	\$ 22,596
FUND BALANCES - Beginning	<u>743,034</u>	<u>743,034</u>	<u>743,034</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 743,242</u>	<u>\$ 793,248</u>	<u>\$ 815,844</u>	<u>\$ 22,596</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, 2011

	<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				
State Shared Revenue	\$ 130,000	\$ 130,000	\$ 130,679	\$ 679
Interest	25	25	28	3
Contributions from Component Units	0	0	0	0
Miscellaneous	<u>0</u>	<u>1,500</u>	<u>1,496</u>	<u>(4)</u>
Total Revenue	<u>\$ 130,025</u>	<u>\$ 131,525</u>	<u>\$ 132,203</u>	<u>\$ 678</u>
EXPENDITURES				
Street Construction	\$ 400,000	\$ 390,000	\$ 385,546	\$ (4,454)
Routine Maintenance	74,685	74,685	61,840	(12,845)
Traffic Control	11,350	11,350	3,045	(8,305)
Winter Maintenance	<u>25,980</u>	<u>25,980</u>	<u>18,727</u>	<u>(7,253)</u>
Total Expenditures	<u>\$ 512,015</u>	<u>\$ 502,015</u>	<u>\$ 469,158</u>	<u>\$ (32,857)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$(381,990)</u>	<u>\$(370,490)</u>	<u>\$(336,955)</u>	<u>\$ 33,535</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 400,000	\$ 100,000	\$ 9,000	\$ (91,000)
Bond Proceeds	0	300,000	300,000	0
Transfers Out	<u>(10,000)</u>	<u>(16,560)</u>	<u>(16,557)</u>	<u>3</u>
Total Other Financing Sources (Uses)	<u>\$ 390,000</u>	<u>\$ 383,440</u>	<u>\$ 292,443</u>	<u>\$ (90,997)</u>
NET CHANGE IN FUND BALANCES	\$ 8,010	\$ 12,950	\$ (44,512)	\$ (57,462)
FUND BALANCES - Beginning	<u>62,082</u>	<u>62,082</u>	<u>62,082</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 70,092</u>	<u>\$ 75,032</u>	<u>\$ 17,570</u>	<u>\$ (57,462)</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, 2011

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
REVENUE				
Property Taxes	\$ 220,100	\$ 200,100	\$ 198,346	\$ (1,754)
State Shared Revenue	41,000	41,000	40,800	(200)
Contributions	2,140	2,140	2,141	1
Contributions from Component Units	0	10,000	10,000	0
Interest	2,000	2,000	840	(1,160)
Miscellaneous	<u>0</u>	<u>0</u>	<u>343</u>	<u>343</u>
Total Revenue	<u>\$ 265,240</u>	<u>\$ 255,240</u>	<u>\$ 252,470</u>	<u>\$ (2,770)</u>
EXPENDITURES				
Street Construction	\$ 140,000	\$ 140,000	\$ 91,817	\$ (48,183)
Routine Maintenance	89,710	89,710	62,712	(26,998)
Traffic Control	4,605	4,605	1,769	(2,836)
Winter Maintenance	<u>18,320</u>	<u>18,320</u>	<u>16,756</u>	<u>(1,564)</u>
Total Expenditures	<u>\$ 252,635</u>	<u>\$ 252,635</u>	<u>\$ 173,054</u>	<u>\$ (79,581)</u>
REVENUE OVER (UNDER) EXPENDITURES	\$ 12,605	\$ 2,605	\$ 79,416	\$ 76,811
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(472,133)</u>	<u>(132,133)</u>	<u>(131,583)</u>	<u>550</u>
NET CHANGE IN FUND BALANCES	\$(459,528)	\$(129,528)	\$ (52,167)	\$ 77,361
FUND BALANCES - Beginning	<u>641,021</u>	<u>641,021</u>	<u>641,021</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 181,493</u>	<u>\$ 511,493</u>	<u>\$ 588,854</u>	<u>\$ 77,361</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Debt Service <u>Fund</u>	Special Revenue State Highway <u>Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 9,258	\$ 989	\$ 10,247
Due from Other Governmental Units	<u>0</u>	<u>3,619</u>	<u>3,619</u>
Total Assets	<u>\$ 9,258</u>	<u>\$ 4,608</u>	<u>\$ 13,866</u>
LIABILITIES			
Accounts Payable	\$ 0	\$ 0	\$ 0
Due to Other Funds	0	1,406	1,406
Salaries Payable	<u>0</u>	<u>46</u>	<u>46</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 1,452</u>	<u>\$ 1,452</u>
FUND BALANCE			
Nonspendable	\$ 0	\$ 0	\$ 0
Restricted	0	3,156	3,156
Committed	0	0	0
Assigned	9,258	0	9,258
Unassigned	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>\$ 9,258</u>	<u>\$ 3,156</u>	<u>\$ 12,414</u>
Total Liabilities and Fund Balances	<u>\$ 9,258</u>	<u>\$ 4,608</u>	<u>\$ 13,866</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, 2011

	Debt Service <u>Fund</u>	State Highway <u>Fund</u>	<u>Total</u>
REVENUE			
State Highway Contract	\$ 0	\$ 30,130	\$ 30,130
Contribution from Component Units	2,975	0	2,975
Interest Income	<u>170</u>	<u>1</u>	<u>171</u>
Total Revenue	<u>\$ 3,145</u>	<u>\$ 30,131</u>	<u>\$ 33,276</u>
EXPENDITURES			
Streets, Highways, Drains			
Routine Maintenance	\$ 0	\$ 15,430	\$ 15,430
Traffic Control	0	78	78
Winter Maintenance	0	13,830	13,830
Debt Service			
Principal	80,000	0	80,000
Interest	<u>40,071</u>	<u>0</u>	<u>40,071</u>
Total Expenditures	<u>\$ 120,071</u>	<u>\$ 29,338</u>	<u>\$ 149,409</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	\$(116,926)	\$ 793	\$(116,133)
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	<u>68,240</u>	<u>0</u>	<u>68,240</u>
NET CHANGES IN FUND BALANCES	\$ (48,686)	\$ 793	\$ (47,893)
FUND BALANCES - Beginning	<u>57,944</u>	<u>2,363</u>	<u>60,307</u>
FUND BALANCES - Ending	<u>\$ 9,258</u>	<u>\$ 3,156</u>	<u>\$ 12,414</u>

The accompanying notes are an integral part of this statement.

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

479 E. CHICAGO STREET
P.O. BOX 215
JONESVILLE, MI 49250

PHONE: (517) 849-2410
FAX: (517) 849-2493
E-MAIL: BAILEYHODSHIRE@SBCGLOBAL.NET

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, 2011, which collectively comprise the Village of Jonesville's basic financial statements and have issued our report thereon dated October 13, 2011. 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

October 13, 2011