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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, 2012, 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, 2012, 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 12, 2012, 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 12, 2012

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2012

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, 2012. 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 \$11,817,772 (net assets) at the close of this fiscal year. Net assets at the beginning of the fiscal year totaled \$11,546,515, showing an increase of \$271,257 during the current year.
- The Village's governmental funds reported total ending fund balance of \$1,468,393 of which \$903,865 is unassigned and unrestricted, and available for spending at the Village's discretion. This compares to the prior year ending fund balance of \$1,434,682 showing an increase of \$33,711 during the current year.
- At the end of the current year, fund balance for the General Fund was \$916,928, or 86.2% of General Fund expenditures, net of capital outlay totaling \$488,683. This is an increase of \$101,084 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, 2012

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 \$11,817,772 (net assets) at the close of this fiscal year. Net assets at the beginning of the fiscal year totaled \$11,546,515, showing an increase of \$271,257 over the prior year.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2012

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

NET ASSETS

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Current Assets	\$ 1,845,177	\$ 1,985,664	\$ 1,637,907	\$ 1,729,463	\$ 3,483,084	\$ 3,715,127
Non-current Assets	<u>5,236,374</u>	<u>5,635,816</u>	<u>8,907,974</u>	<u>8,554,269</u>	<u>14,144,348</u>	<u>14,190,085</u>
Total Assets	<u>\$ 7,081,551</u>	<u>\$ 7,621,480</u>	<u>\$10,545,881</u>	<u>\$10,283,732</u>	<u>\$17,627,432</u>	<u>\$17,905,212</u>
Current Liabilities	\$ 140,693	\$ 284,733	\$ 350,305	\$ 206,880	\$ 490,998	\$ 491,613
Non-current Liabilities	<u>1,080,915</u>	<u>1,453,293</u>	<u>4,509,004</u>	<u>4,142,534</u>	<u>5,589,919</u>	<u>5,595,827</u>
Total Liabilities	<u>\$ 1,221,608</u>	<u>\$ 1,738,026</u>	<u>\$ 4,859,309</u>	<u>\$ 4,349,414</u>	<u>\$ 6,080,917</u>	<u>\$ 6,087,440</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	\$ 4,233,911	\$ 4,142,873	\$ 4,144,660	\$ 4,277,884	\$ 8,378,571	\$ 8,420,757
Restricted	9,258	3,947	979,084	1,052,403	988,342	1,056,350
Unrestricted	<u>1,616,774</u>	<u>1,736,634</u>	<u>562,828</u>	<u>604,031</u>	<u>2,179,602</u>	<u>2,340,665</u>
Total Net Assets	<u>\$ 5,859,943</u>	<u>\$ 5,883,454</u>	<u>\$ 5,686,572</u>	<u>\$ 5,934,318</u>	<u>\$11,546,515</u>	<u>\$11,817,772</u>

The Village reported positive balances in net assets for governmental and business-type activities. Net assets increased \$23,511 for governmental activities and increased \$247,746 for business-type activities; therefore, the Village's overall financial position improved during fiscal year 2012.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2012

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>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>Government</u>	<u>2012</u>
Program Revenue						
Charges for Services	\$ 90,509	\$ 83,657	\$ 949,275	\$ 999,696	\$ 1,039,784	\$ 1,083,353
Operating Grants and Contributions	355,023	317,810	110,000	345,000	465,023	662,810
Capital Grants and Contributions	28,690	189,116	0	0	28,690	189,116
General Revenue						
Property Taxes	700,528	706,039	0	0	700,528	706,039
State Shared Revenue	196,474	195,982	0	0	196,474	195,982
Unrestricted Investment Income	2,205	1,338	3,065	2,269	5,270	3,607
Other	<u>17,906</u>	<u>36,457</u>	<u>23,375</u>	<u>24,366</u>	<u>41,281</u>	<u>60,823</u>
Total Revenue	<u>\$ 1,391,335</u>	<u>\$ 1,530,399</u>	<u>\$ 1,085,715</u>	<u>\$ 1,371,331</u>	<u>\$ 2,477,050</u>	<u>\$ 2,901,730</u>
Expenses						
General Government	\$ 389,067	\$ 390,036	\$ 0	\$ 0	\$ 389,067	\$ 390,036
Public Safety	522,264	557,013	0	0	522,264	557,013
Economic & Community Development	3,689	12,660	0	0	3,689	12,660
Public Improvements	48,364	111,246	0	0	48,364	111,246
Streets, Highways, Drains	367,683	308,766	0	0	367,683	308,766
Sanitation	1,114	5,437	0	0	1,114	5,437
Culture & Recreation	55,220	78,335	0	0	55,220	78,335
Interest on Long-Term Debt	41,337	42,760	0	0	41,337	42,760
Depreciation - Unallocated	49,058	45,635	0	0	49,058	45,635
Water Utility	0	0	319,796	280,672	319,796	280,672
Sewer Utility	<u>0</u>	<u>0</u>	<u>769,830</u>	<u>797,913</u>	<u>796,830</u>	<u>797,913</u>
Total Expenses	<u>\$ 1,477,796</u>	<u>\$ 1,551,888</u>	<u>\$ 1,089,626</u>	<u>\$ 1,078,585</u>	<u>\$ 2,467,422</u>	<u>\$ 2,630,473</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>\$ (41,461)</u>	<u>\$ 23,511</u>	<u>\$ (48,911)</u>	<u>\$ 247,746</u>	<u>\$ (90,372)</u>	<u>\$ 271,257</u>

Governmental Activities increased the Village's net assets by \$23,511. This represents an increase from last year's change in net assets.

Revenues from governmental activities totaled \$1,530,400. Property tax revenue represented the largest portion of those revenues (46.1%), operating grants and contributions was 20.8%, state shared revenue was 12.8%, and capital grants and contributions was 12.4% of the total.

The largest components of governmental activities' expenses were public safety (35.9%), general government (25.1%), and streets, highways, and drains (19.9%). 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 \$247,746. 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 due to early retirement of debt.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2012

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, 2012, the Village's governmental funds reported combined ending fund balances of \$1,468,393. Of this total, approximately 61.6% was unrestricted and unassigned, indicating availability for continuing Village service requirements. Although a substantial amount is unrestricted, future plans include the recreational park enhancements, Industrial Park expansion, downtown streetscape rehabilitation, and other projects.

The General Fund is the primary operating fund of the Village. At the end of the current fiscal year, the General Fund showed a healthy fund balance of \$916,928. Other Major Governmental Funds include Major and Local Streets. Non-major governmental funds include the State Highway and Debt Service funds. The Major Street Fund experienced an increase of \$36,121 in fund balance. The Local Street Fund experienced a decrease in fund balance, due to infrastructure improvements on Bowman, Fayette, and Franklin 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 \$5,934,318 at June 30, 2012, an increase of \$247,746 from the previous fiscal year, due to early redemption of water bonds. The Motor Vehicle Pool's net assets at the end of this fiscal year were \$779,691, a decrease of \$8,849 from the previous fiscal year. The Motor Vehicle Pool reduction is due to a decline in equipment rent revenue.

Major Governmental Funds Budgeting and Operating Highlights

General Fund - The difference between the original and final amended budget for General Fund revenues was \$89,467, with the original budget being \$1,468,096, and the final budget being \$1,557,563. The difference between the two numbers includes an increase in property tax revenue and State Revenue Sharing. The difference between the appropriations originally budgeted and the final appropriations budget was \$22,899 (\$1,548,218 vs. \$1,571,117). General Government expenditures decreased by \$18,146; Public Safety increased by \$50,510; Planning and Zoning increased by \$8,500; Public Works decreased by \$44,315; Streets, Highways, and Drains remained the same; Culture and Recreation increased by \$25,850; and Capital Outlay remained the same. Capital expenditures include: sidewalk expansion, police and fire safety equipment, an irrigation system in the Industrial Park, repairs to the Village Hall, and reconstruction of the North Downtown Parking Lot.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2012

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>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
Land	\$ 139,995	\$ 139,995	\$ 2,061	\$ 2,061	\$ 142,056	\$ 142,056
Land Improvements	91,043	116,243	0	0	91,043	116,243
Buildings and Improvements	793,638	808,823	0	0	793,638	808,823
Facilities and Mains	0	0	14,149,156	14,149,156	14,149,156	14,149,156
Furniture and Equipment	740,637	764,355	523,475	535,581	1,264,112	1,299,936
Vehicles	1,147,381	1,147,381	0	0	1,147,381	1,147,381
Infrastructure	4,514,631	5,187,306	0	0	4,514,631	5,187,306
Less: Acc. Depreciation	<u>(2,190,951)</u>	<u>(2,528,287)</u>	<u>(5,780,606)</u>	<u>(6,143,639)</u>	<u>(7,971,557)</u>	<u>(8,671,926)</u>
Total Capital Assets, Net Of Depreciation	<u>\$ 5,236,374</u>	<u>\$ 5,635,816</u>	<u>\$ 8,894,086</u>	<u>\$ 8,543,159</u>	<u>\$14,130,460</u>	<u>\$14,178,975</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>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>
General Government	\$ 995,000	\$ 1,485,000	\$ 0	\$ 0	\$ 995,000	\$ 1,485,000
Revenue Bonds	0	0	3,989,000	3,900,000	3,989,000	3,900,000
County Contract	<u>0</u>	<u>0</u>	<u>690,000</u>	<u>295,000</u>	<u>690,000</u>	<u>295,000</u>
Total Long-Term Debt	<u>\$ 995,000</u>	<u>\$ 995,000</u>	<u>\$ 4,679,000</u>	<u>\$ 4,679,000</u>	<u>\$ 5,674,000</u>	<u>\$ 5,680,000</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. We continue to depend on state constitutional revenue sharing, and are in compliance with the State of Michigan's Economic Vitality Incentive Program (EVIP). EVIP dollars are being used solely for capital expenditures. Regional collaboration continues to be actively pursued with other area public and private entities. Economic development activities must be realized through an open-system environment.

The 2012/13 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, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 182,101	\$ 158,119	\$ 340,220	\$ 118,061
Investments	1,698,981	1,514,346	3,213,327	157,582
Accounts Receivable	23,086	42,457	65,543	70,714
Internal Balances	1,095	(1,095)	0	0
Due from Other Governmental Units	66,647	0	66,647	0
Inventory	3,916	3,965	7,881	0
Prepaid Expense	9,838	11,671	21,509	23
Total Current Assets	<u>\$ 1,985,664</u>	<u>\$ 1,729,463</u>	<u>\$ 3,715,127</u>	<u>\$ 346,380</u>
Noncurrent Assets				
Loan Refinancing Costs	\$ 0	\$ 11,110	\$ 11,110	\$ 97,544
Capital Assets - Not Depreciated	139,995	2,061	142,056	0
Other Capital Assets - Net of Depreciation	5,495,821	8,541,098	14,036,919	0
Total Noncurrent Assets	<u>\$ 5,635,816</u>	<u>\$ 8,554,269</u>	<u>\$14,190,085</u>	<u>\$ 97,544</u>
Total Assets	<u>\$ 7,621,480</u>	<u>\$10,283,732</u>	<u>\$17,905,212</u>	<u>\$ 443,924</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 115,524	\$ 22,499	\$ 138,023	\$ 14,101
Accrued Payroll	9,266	2,716	11,982	0
Customer Deposits	0	600	600	0
Interest Payable	7,943	85,065	93,008	0
Current Portion of Long-Term Debt	152,000	96,000	248,000	0
Total Current Liabilities	<u>\$ 284,733</u>	<u>\$ 206,880</u>	<u>\$ 491,613</u>	<u>\$ 14,101</u>
Noncurrent Liabilities				
Bonds, County Contract	\$ 1,333,000	\$ 4,099,000	\$ 5,432,000	\$ 0
Less: Bond Discount	0	(3,680)	(3,680)	0
Compensated Absences	120,293	47,214	167,507	0
Total Noncurrent Liabilities	<u>\$ 1,453,293</u>	<u>\$ 4,142,534</u>	<u>\$ 5,595,827</u>	<u>\$ 0</u>
Total Liabilities	<u>\$ 1,738,026</u>	<u>\$ 4,349,414</u>	<u>\$ 6,087,440</u>	<u>\$ 14,101</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 4,142,873	\$ 4,277,884	\$ 8,420,757	\$ 97,544
Restricted for: Replacement	0	632,192	632,192	0
Debt Service	3,947	420,211	424,158	0
Unrestricted	1,736,634	604,031	2,340,665	332,279
Total Net Assets	<u>\$ 5,883,454</u>	<u>\$ 5,934,318</u>	<u>\$11,817,772</u>	<u>\$ 429,823</u>
Total Liabilities and Net Assets	<u>\$ 7,621,480</u>	<u>\$10,283,732</u>	<u>\$17,905,212</u>	<u>\$ 443,924</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF JONESVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues			<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	\$ 390,036	\$ 12,330	\$ 98,745	\$ 67,063	\$ (211,898)
Public Safety	557,013	56,742	0	0	(500,271)
Economic & Community Development	12,660	500	0	0	(12,160)
Public Works	111,246	0	0	0	(111,246)
Streets, Highways, and Drains	308,766	0	200,724	122,053	14,011
Sanitation	5,437	0	0	0	(5,437)
Culture and Recreation	78,335	14,085	18,341	0	(45,909)
Interest on Long-Term Debt	42,760	0	0	0	(42,760)
Depreciation - Unallocated ¹	45,635	0	0	0	(45,635)
Total Governmental Activities	<u>\$ 1,551,888</u>	<u>\$ 83,657</u>	<u>\$ 317,810</u>	<u>\$ 189,116</u>	<u>\$ (961,305)</u>
Business-type Activities:					
Water	\$ 280,672	\$ 289,695	\$ 345,000	\$ 0	\$ 354,023
Sewer	797,913	710,001	0	0	(87,912)
Total Business-type Activities	<u>\$ 1,078,585</u>	<u>\$ 999,696</u>	<u>\$ 345,000</u>	<u>\$ 0</u>	<u>\$ 266,111</u>
Total Primary Government	<u>\$ 2,630,473</u>	<u>\$ 1,083,353</u>	<u>\$ 662,810</u>	<u>\$ 189,116</u>	<u>\$ (695,194)</u>
Component Units:					
Downtown Development Authority	\$ 249,712	\$ 0	\$ 8,100	\$ 0	\$ (241,612)
Local Development Finance Authority	552,631	0	0	0	(552,631)
Total Component Units	<u>\$ 802,343</u>	<u>\$ 0</u>	<u>\$ 8,100</u>	<u>\$ 0</u>	<u>\$ (794,243)</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		\$ (961,305)	\$ 266,111	\$ (695,194)	\$ (794,243)
General Revenue:					
Property Taxes Levied for General Purposes		\$ 506,410	\$ 0	\$ 506,410	\$ 0
Property Taxes Levied for Local Streets		199,629	0	199,629	0
Property Taxes Captured		0	0	0	271,696
State Shared Revenue		195,982	0	195,982	0
Unrestricted Investment Income		1,338	2,269	3,607	494
Miscellaneous		36,457	24,366	60,823	40,195
Total General Revenue		<u>\$ 939,816</u>	<u>\$ 26,635</u>	<u>\$ 966,451</u>	<u>\$ 312,385</u>
Transfers		\$ 45,000	\$ (45,000)	\$ 0	\$ 0
Change in Net Assets		\$ 23,511	\$ 247,746	\$ 271,257	\$ (481,858)
Net Assets – Beginning		<u>5,859,943</u>	<u>5,686,572</u>	<u>11,546,515</u>	<u>911,681</u>
Net Assets – Ending		<u>\$ 5,883,454</u>	<u>\$ 5,934,318</u>	<u>\$11,817,772</u>	<u>\$ 429,823</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, 2012

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 66,273	\$ 37,353	\$ 38,336	\$ 5,331	\$ 147,293
Investments	831,670	9	517,865	0	1,349,544
Accounts Receivable	18,842	0	0	0	18,842
Due from Other Funds	1,665	0	0	0	1,665
Due from Other Governmental Units	31,856	21,236	7,600	5,955	66,647
Inventory	3,916	0	0	0	3,916
Prepaid Expenditures	<u>9,147</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,147</u>
Total Assets	<u>\$ 963,369</u>	<u>\$ 58,598</u>	<u>\$ 563,801</u>	<u>\$ 11,286</u>	<u>\$ 1,597,054</u>
LIABILITIES					
Accounts Payable	\$ 34,942	\$ 3,111	\$ 72,477	\$ 0	\$ 110,530
Due to Other Funds	3,737	1,234	1,395	2,710	9,076
Salaries Payable	<u>7,762</u>	<u>562</u>	<u>578</u>	<u>153</u>	<u>9,055</u>
Total Liabilities	<u>\$ 46,441</u>	<u>\$ 4,907</u>	<u>\$ 74,450</u>	<u>\$ 2,863</u>	<u>\$ 128,661</u>
FUND BALANCES					
Nonspendable	\$ 13,063	\$ 0	\$ 0	\$ 0	\$ 13,063
Restricted	0	53,691	489,351	4,476	547,518
Committed	0	0	0	0	0
Assigned	0	0	0	3,947	3,947
Unassigned	<u>903,865</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>903,865</u>
Total Fund Balances	<u>\$ 916,928</u>	<u>\$ 53,691</u>	<u>\$ 489,351</u>	<u>\$ 8,423</u>	<u>\$ 1,468,393</u>
Total Liabilities and Fund Balances	<u>\$ 963,369</u>	<u>\$ 58,598</u>	<u>\$ 563,801</u>	<u>\$ 11,286</u>	<u>\$ 1,597,054</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, 2012

Fund Balances - total governmental funds	\$ 1,468,393
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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	8,164,103
Deduct: Accumulated depreciation	(2,528,287)

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	397,725
Deduct: Internal Service Fund liabilities	(5,244)

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

Deduct: Bonds and notes payable	(1,485,000)
Deduct: Accrued interest on bonds and notes payable	(7,943)
Deduct: Compensated absences	<u>(120,293)</u>

Net assets of governmental activities	\$ <u>5,883,454</u>
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The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUE					
Property Taxes	\$ 515,271	\$ 0	\$ 199,629	\$ 0	\$ 714,900
Licenses and Permits	1,165	0	0	0	1,165
State Shared Revenue	195,982	134,688	41,935	0	372,605
Charges and Fees	59,547	0	0	0	59,547
State Highway Contract	0	0	0	21,960	21,960
Recreation	32,426	0	0	0	32,426
Rents and Royalties	11,110	0	0	0	11,110
Contributions	5,353	0	2,141	0	7,494
Reimbursements	2,086	0	0	0	2,086
Interest	827	10	461	40	1,338
Contributions from Component Units	160,155	22,530	99,523	300	282,508
Miscellaneous	22,869	333	58	0	23,260
Total Revenue	<u>\$ 1,006,791</u>	<u>\$ 157,561</u>	<u>\$ 343,747</u>	<u>\$ 22,300</u>	<u>\$ 1,530,399</u>
EXPENDITURES					
General Government	\$ 402,387	\$ 0	\$ 0	\$ 0	\$ 402,387
Public Safety	467,476	0	0	0	467,476
Economic & Community Development	12,660	0	0	0	12,660
Public Works	79,833	0	0	0	79,833
Streets, Highways, and Drains	29,435	93,473	308,897	20,641	452,446
Sanitation	5,437	0	0	0	5,437
Culture and Recreation	66,598	0	0	0	66,598
Capital Outlay	488,683	0	0	0	488,683
Debt Service – Principal	0	0	0	60,000	60,000
- Interest	0	0	0	42,280	42,280
Total Expenditures	<u>\$ 1,552,509</u>	<u>\$ 93,473</u>	<u>\$ 308,897</u>	<u>\$ 122,921</u>	<u>\$ 2,077,800</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (545,718)</u>	<u>\$ 64,088</u>	<u>\$ 34,850</u>	<u>\$(100,621)</u>	<u>\$ (547,401)</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	\$ 119,690	\$ 18,205	\$ 0	\$ 96,630	\$ 234,525
Bond Proceeds	550,000	0	0	0	550,000
Operating Transfers Out	(22,888)	(46,172)	(134,353)	0	(203,413)
Total Other Financing Sources (Uses)	<u>\$ 646,802</u>	<u>\$ (27,967)</u>	<u>\$ (134,353)</u>	<u>\$ 96,630</u>	<u>\$ 581,112</u>
NET CHANGE IN FUND BALANCES	\$ 101,084	\$ 36,121	\$ (99,503)	\$ (3,991)	\$ 33,711
FUND BALANCES – Beginning	<u>815,844</u>	<u>17,570</u>	<u>588,854</u>	<u>12,414</u>	<u>1,434,682</u>
FUND BALANCES – Ending	<u>\$ 916,928</u>	<u>\$ 53,691</u>	<u>\$ 489,351</u>	<u>\$ 8,423</u>	<u>\$ 1,468,393</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, 2012

Net changes in fund balances - total governmental funds \$ 33,711

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	730,951
Deduct: Depreciation expense	(337,336)

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.

61,043

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	(550,000)
Add: Principal payments on long-term debt	60,000

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	(480)
Add: Decrease in accrual for compensated absences	<u>25,622</u>

Change in net assets of governmental activities \$ 23,511

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	<u>Enterprise Funds</u>		Total Enterprise Funds	Internal Service Funds
	<u>Water</u>	<u>Sewer</u>		
ASSETS				
Current Assets				
Cash	\$ 32,746	\$ 37,078	\$ 69,824	\$ 34,808
Investments	491,427	58,811	550,238	349,437
Accounts Receivable	11,137	31,320	42,457	4,245
Due from Other Funds	0	3,661	3,661	8,544
Inventory	1,800	2,165	3,965	0
Prepaid Expense	<u>10,854</u>	<u>817</u>	<u>11,671</u>	<u>691</u>
Total Current Assets	<u>\$ 547,964</u>	<u>\$ 133,852</u>	<u>\$ 681,816</u>	<u>\$ 397,725</u>
Restricted Assets				
General Purpose	\$ 31,030	\$ 16,360	\$ 47,390	\$ 0
Bond Interest and Redemption	14,251	103,227	117,478	0
Bond Reserve	40,037	262,696	302,733	0
Replacement	<u>0</u>	<u>584,802</u>	<u>584,802</u>	<u>0</u>
Total Restricted Assets	<u>\$ 85,318</u>	<u>\$ 967,085</u>	<u>\$ 1,052,403</u>	<u>\$ 0</u>
Noncurrent Assets				
Loan Refinancing Costs	\$ 11,110	\$ 0	\$ 11,110	\$ 0
Capital Assets - Not Depreciated	2,061	0	2,061	0
Other Capital Assets, Net of Accumulated Depreciation	<u>1,600,184</u>	<u>6,940,914</u>	<u>8,541,098</u>	<u>387,210</u>
Total Noncurrent Assets	<u>\$ 1,613,355</u>	<u>\$ 6,940,914</u>	<u>8,554,269</u>	<u>\$ 387,210</u>
Total Assets	<u>\$ 2,246,637</u>	<u>\$ 8,041,851</u>	<u>\$10,288,488</u>	<u>\$ 784,935</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 17,822	\$ 4,677	\$ 22,499	\$ 4,994
Accrued Payroll	810	1,906	2,716	211
Due to Other Funds	4,640	116	4,756	39
Customer Deposits	300	300	600	0
Deferred Revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Current Liabilities	<u>\$ 23,572</u>	<u>\$ 6,999</u>	<u>\$ 30,571</u>	<u>\$ 5,244</u>
Liabilities Payable from Restricted Assets				
Accrued Interest Payable	\$ 2,040	\$ 83,025	\$ 85,065	\$ 0
Revenue Bonds - Current	15,000	81,000	96,000	0
Contract Payable - Current	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities Payable from Restricted Assets	<u>\$ 17,040</u>	<u>\$ 164,025</u>	<u>\$ 181,065</u>	<u>\$ 0</u>
Noncurrent Liabilities				
Contract Payable	\$ 295,000	\$ 0	\$ 295,000	\$ 0
Less: Bond Discount	(3,680)	0	(3,680)	0
Revenue Bonds/USDA Loan Payable	45,000	3,759,000	3,804,000	0
Compensated Absences	<u>19,636</u>	<u>27,578</u>	<u>47,214</u>	<u>0</u>
Total Noncurrent Liabilities	<u>\$ 355,956</u>	<u>\$ 3,786,578</u>	<u>\$ 4,142,534</u>	<u>\$ 0</u>
Total Liabilities	<u>\$ 396,568</u>	<u>\$ 3,957,602</u>	<u>\$ 4,354,170</u>	<u>\$ 5,244</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 1,259,995	\$ 3,017,889	\$ 4,277,884	\$ 387,210
Restricted by Bond Covenants	85,318	967,085	1,052,403	0
Unrestricted	<u>504,756</u>	<u>99,275</u>	<u>604,031</u>	<u>392,481</u>
Total Net Assets	<u>\$ 1,850,069</u>	<u>\$ 4,084,249</u>	<u>\$ 5,934,318</u>	<u>\$ 779,691</u>
Total Liabilities and Net Assets	<u>\$ 2,246,637</u>	<u>\$ 8,041,851</u>	<u>\$10,288,488</u>	<u>\$ 784,935</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, 2012

	<u>Enterprise Funds</u>		<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>		
OPERATING REVENUE				
Sales	\$ 280,695	\$ 710,001	\$ 990,696	\$ 0
Connections Fees	150	0	150	0
Equipment Rental	8,850	0	8,850	93,551
Other	<u>11,631</u>	<u>12,735</u>	<u>24,366</u>	<u>0</u>
Total Operating Revenue	<u>\$ 301,326</u>	<u>\$ 722,736</u>	<u>\$ 1,024,062</u>	<u>\$ 93,551</u>
OPERATING EXPENSES				
Sewage Disposal	\$ 0	\$ 349,079	\$ 349,079	\$ 0
Water Plant Operation	135,304	0	135,304	0
Water Distribution Expenses	36,569	0	36,569	0
Depreciation	85,714	277,319	363,033	69,892
Motor Vehicle Expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>62,212</u>
Total Operating Expenses	<u>\$ 257,587</u>	<u>\$ 626,398</u>	<u>\$ 883,985</u>	<u>\$ 132,104</u>
OPERATING INCOME (LOSS)	<u>\$ 43,739</u>	<u>\$ 96,338</u>	<u>\$ 140,077</u>	<u>\$ (38,553)</u>
NON-OPERATING REVENUE (EXPENSES)				
Interest Income	\$ 1,223	\$ 1,046	\$ 2,269	\$ 302
Interest Expense	<u>(23,085)</u>	<u>(171,515)</u>	<u>(194,600)</u>	<u>0</u>
Total Non-operating Revenue (Expense)	<u>\$ (21,862)</u>	<u>\$ (170,469)</u>	<u>\$ (192,331)</u>	<u>\$ 302</u>
Income (Loss) Before Contributions and Transfers	<u>\$ 21,877</u>	<u>\$ (74,131)</u>	<u>\$ (52,254)</u>	<u>\$ (38,251)</u>
CONTRIBUTIONS AND TRANSFERS				
Contributions from Component Units	\$ 345,000	\$ 0	\$ 345,000	\$ 0
Contributions from Other Governments	0	0	0	15,514
Transfers From Other Funds	0	0	0	27,888
Transfers To Other Funds	<u>(21,000)</u>	<u>(24,000)</u>	<u>(45,000)</u>	<u>(14,000)</u>
Total Contributions and Transfers	<u>\$ 324,000</u>	<u>\$ (24,000)</u>	<u>\$ 300,000</u>	<u>\$ 29,402</u>
CHANGE IN NET ASSETS	<u>\$ 345,877</u>	<u>\$ (98,131)</u>	<u>\$ 247,746</u>	<u>\$ (8,849)</u>
NET ASSETS – Beginning	<u>1,504,192</u>	<u>4,182,380</u>	<u>5,686,572</u>	<u>788,540</u>
NET ASSETS – Ending	<u>\$ 1,850,069</u>	<u>\$ 4,084,249</u>	<u>\$ 5,934,318</u>	<u>\$ 779,691</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<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	\$ 285,276	\$ 691,370	\$ 976,646	\$ 0
Cash received from interfund services provided	0	0	0	91,343
Cash payments to suppliers for goods and services	(110,606)	(242,856)	(353,462)	(45,230)
Cash payments to employees and professional contractors for services	(60,510)	(137,022)	(197,532)	(20,727)
Other operating receipts	<u>11,631</u>	<u>12,735</u>	<u>24,366</u>	<u>0</u>
Net cash provided (used) by operating activities	<u>\$ 125,791</u>	<u>\$ 324,227</u>	<u>\$ 450,018</u>	<u>\$ 25,386</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Contributions from Component Units	\$ 345,000	\$ 0	\$ 345,000	\$ 0
Contributions from other governments	0	0	0	15,514
Transfers from other funds	0	0	0	27,888
Transfers to other funds	<u>(21,000)</u>	<u>(24,000)</u>	<u>(45,000)</u>	<u>(14,000)</u>
Net cash provided (used) by non-capital financing activities	<u>\$ 324,000</u>	<u>\$ (24,000)</u>	<u>\$ 300,000</u>	<u>\$ 29,402</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	\$ (9,836)	\$ (2,270)	\$ (12,106)	\$ (5,827)
Principal paid on bonds	(410,000)	(74,000)	(484,000)	0
Interest paid on bonds	<u>(22,021)</u>	<u>(172,730)</u>	<u>(194,751)</u>	<u>0</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (441,857)</u>	<u>\$ (249,000)</u>	<u>\$ (690,857)</u>	<u>\$ (5,827)</u>
CASH FLOWS FORM INVESTING ACTIVITIES				
Investment income	<u>\$ 1,223</u>	<u>\$ 1,046</u>	<u>\$ 2,269</u>	<u>\$ 302</u>
Net cash provided (used) by investment activities	<u>\$ 1,223</u>	<u>\$ 1,046</u>	<u>\$ 2,269</u>	<u>\$ 302</u>
NET INCREASE (DECREASE) IN CASH	\$ 9,157	\$ 52,273	\$ 61,430	\$ 49,263
CASH AND CASH EQUIVALENTS - Beginning	<u>600,334</u>	<u>1,010,701</u>	<u>1,611,035</u>	<u>334,982</u>
CASH AND CASH EQUIVALENTS - Ending	<u>\$ 609,491</u>	<u>\$ 1,062,974</u>	<u>\$ 1,672,465</u>	<u>\$ 384,245</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 43,739	\$ 96,338	\$ 140,077	\$ (38,553)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	85,714	277,319	363,033	69,892
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(4,419)	(15,095)	(19,514)	(3,241)
(Increase) decrease in due from other funds	0	(3,536)	(3,536)	1,033
(Increase) decrease in inventories	(12)	(344)	(356)	0
(Increase) decrease in prepaid expense	(10,687)	2	(10,685)	(10)
Increase (decrease) in accounts payable	8,014	(29,754)	(21,740)	3,140
Increase (decrease) in wages and benefits payable	(31)	195	164	159
Increase (decrease) in due to other funds	4,312	(347)	3,965	(3,750)
Increase (decrease) in deferred revenue	0	0	0	(3,284)
Increase (decrease) in customer deposits	0	0	0	0
Increase (decrease) in compensated absences	<u>(839)</u>	<u>(551)</u>	<u>(1,390)</u>	<u>0</u>
Net cash provided (used) by operating activities	<u>\$ 125,791</u>	<u>\$ 324,227</u>	<u>\$ 450,018</u>	<u>\$ 25,386</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2012

ASSETS

Cash

\$ 9,025

LIABILITIES

Payroll deductions withheld

\$ 9,025

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
 COMBINING STATEMENT OF NET ASSETS
 COMPONENT UNITS
 JUNE 30, 2012

	<u>DDA</u>	<u>LDFA</u>	<u>Total Component Units</u>
ASSETS			
Current Assets			
Cash	\$ 65,809	\$ 52,252	\$ 118,061
Investments	124,155	33,427	157,582
Accounts Receivable	0	70,714	70,714
Prepaid Expense	<u>23</u>	<u>0</u>	<u>23</u>
Total Current Assets	<u>\$ 189,987</u>	<u>\$ 156,393</u>	<u>\$ 346,380</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>\$ 189,987</u>	<u>\$ 253,937</u>	<u>\$ 443,924</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	<u>\$ 6,939</u>	<u>\$ 7,162</u>	<u>\$ 14,101</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 0	\$ 97,544	\$ 97,544
Unrestricted	<u>183,048</u>	<u>149,231</u>	<u>332,279</u>
Total Net Assets	<u>\$ 183,048</u>	<u>\$ 246,775</u>	<u>\$ 429,823</u>
Total Liabilities and Net Assets	<u>\$ 189,987</u>	<u>\$ 253,937</u>	<u>\$ 443,924</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
 COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>DDA</u>	<u>LDFA</u>	<u>Total Component Units</u>
EXPENSES			
Downtown Development	\$ 122,028	\$ 0	\$ 122,028
Industrial Development	0	52,808	52,808
Contributions to Village activities	<u>127,684</u>	<u>499,823</u>	<u>627,507</u>
Total Expenses	<u>\$ 249,712</u>	<u>\$ 552,631</u>	<u>\$ 802,343</u>
PROGRAM REVENUE			
Charges for Services	\$ 0	\$ 0	\$ 0
Operating Grants and Contributions	8,100	0	8,100
Capital Grants and Contributions	<u>0</u>	<u>0</u>	<u>0</u>
Total Program Revenue	<u>\$ 8,100</u>	<u>\$ 0</u>	<u>\$ 8,100</u>
NET (EXPENSE) REVENUE	<u>\$(241,612)</u>	<u>\$(552,631)</u>	<u>\$(794,243)</u>
GENERAL REVENUE			
Property Taxes Captured	\$ 150,734	\$ 120,962	\$ 271,696
Land Rent	0	13,740	13,740
Investment Income	248	246	494
Other Income	<u>23,455</u>	<u>3,000</u>	<u>26,455</u>
Total General Revenue	<u>\$ 174,437</u>	<u>\$ 137,948</u>	<u>\$ 312,385</u>
CHANGE IN NET ASSETS	\$ (67,175)	\$(414,683)	\$(481,858)
NET ASSETS – Beginning	<u>250,223</u>	<u>661,458</u>	<u>911,681</u>
NET ASSETS - Ending	<u>\$ 183,048</u>	<u>\$ 246,775</u>	<u>\$ 429,823</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, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The statement of net 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, 2012

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, 2012

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, 2012

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.

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.

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

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

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.

VILLAGE OF JONESVILLE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

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

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, 2012:

	<u>Primary Government</u>	<u>Component Units</u>
Cash on hand	\$ 450	\$ 0
Checking and savings accounts	340,560	118,061
Certificates of deposit	<u>87,427</u>	<u>0</u>
	<u>\$ 428,437</u>	<u>\$ 118,061</u>

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

Investments

Following are the components of the Village’s investments at June 30, 2012:

MBIA CLASS Investment Pool	<u>\$ 3,554,337</u>	<u>\$ 157,582</u>
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The Village’s deposits and investments are subject to several types of risk, which are examined in more detail as follows:

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

Credit Risk – The Village minimizes credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the safest types of securities, pre-qualifying the financial institutions with which the Village will do business, and diversifying the portfolio so that potential losses on individual securities will be minimized. As of June 30, 2012, the Village’s investment in the MBIA CLASS Investment Pool was rated AAAM by Standard & Poors.

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

Custodial credit risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the Village’s deposits may not be returned to it. At June 30, 2012, the carrying amount of the Village’s deposits was \$427,987 and the bank balance was \$577,396. Of the bank balance, \$341,374 was covered by federal depository insurance and \$236,022 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, 2012, 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 <u>Fund</u>	Major <u>Street</u>	Local <u>Street</u>	Other		<u>Total</u>
				Governmental <u>Funds</u>	Proprietary <u>Funds</u>	
State Revenue Sharing	\$ 31,856	\$ 21,236	\$ 6,598	\$ 0	\$ 0	\$ 59,690
Property Taxes	2,153	0	1,002	0	0	3,155
State Highway Contract	0	0	0	5,955	0	5,955
Utility customers	0	0	0	0	41,462	41,462
Other Receivables	<u>16,286</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>996</u>	<u>17,282</u>
Total	<u>\$ 50,295</u>	<u>\$ 21,236</u>	<u>\$ 7,600</u>	<u>\$ 5,955</u>	<u>\$ 42,458</u>	<u>\$ 127,544</u>

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, 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	\$ 139,995	\$ 0	\$ 0	\$ 139,995
Capital assets being depreciated				
Land Improvements	\$ 91,043	\$ 25,200	\$ 0	\$ 116,243
Buildings & Improvements	793,638	15,185	0	808,823
Furniture & Equipment	740,637	23,718	0	764,355
Vehicles	1,147,381	0	0	1,147,381
Infrastructure	4,514,631	672,675	0	5,187,306
Less accumulated depreciation	<u>(2,190,951)</u>	<u>(337,336)</u>	<u>0</u>	<u>(2,528,287)</u>
Total capital assets being depreciated, net	<u>\$ 5,096,379</u>	<u>\$ 399,442</u>	<u>\$ 0</u>	<u>\$ 5,495,821</u>
Total capital assets, net	<u>\$ 5,236,374</u>	<u>\$ 399,442</u>	<u>\$ 0</u>	<u>\$ 5,635,816</u>
 <u>Business-Type Activities</u>				
Capital assets not being depreciated				
Land	\$ 2,061	\$ 0	\$ 0	\$ 2,061
Capital assets being depreciated				
Facilities & Mains	\$14,149,156	\$ 0	\$ 0	\$14,149,156
Machinery & Equipment	523,475	12,106	0	535,581
Less accumulated depreciation	<u>(5,780,606)</u>	<u>(363,033)</u>	<u>0</u>	<u>(6,143,639)</u>
Total capital assets being depreciated, net	<u>\$ 8,892,025</u>	<u>\$ (350,927)</u>	<u>\$ 0</u>	<u>\$ 8,541,098</u>
Total capital assets, net	<u>\$ 8,894,086</u>	<u>\$ (350,927)</u>	<u>\$ 0</u>	<u>\$ 8,543,159</u>
PRIMARY GOVERNMENT				
Total capital assets, net	<u>\$14,130,460</u>	<u>\$ 48,515</u>	<u>\$ 0</u>	<u>\$14,178,975</u>
 COMPONENT UNITS				
Capital assets not being depreciated				
Land	<u>\$ 97,544</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 97,544</u>

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

Governmental Activities:		Business-Type Activities:	
General Government	\$ 13,268	Water	\$ 85,714
Public Safety	89,537	Sewer	277,319
Public Improvements	31,413	Total	<u>\$ 363,033</u>
Streets, Highways and Drains	145,746		
Culture and Recreation	11,737		
Unallocated	<u>45,635</u>		
Total	<u>\$ 337,336</u>		

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at June 30, 2012, is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 1,665	Major Streets	\$ 12
		State Highway	1,576
		Water Fund	38
		Motor Vehicle Pool	39
Sewer	3,661	Water	3,626
		General Fund	35
Motor Vehicle Pool	8,545	General Fund	3,702
		Major Streets	1,222
		Local Streets	1,395
		State Highway	1,134
		Sewer Fund	116
		Water Fund	976
	<u>\$ 13,871</u>		<u>\$ 13,871</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	\$ 55,240	\$ 20,000	\$ 20,000	\$ 14,000	\$119,690
Major Streets	0	0	18,205	0	0	0	18,205
Debt Service	0	35,722	60,908	0	0	0	96,630
Motor Vehicle Pool	<u>22,888</u>	<u>0</u>	<u>0</u>	<u>4,000</u>	<u>1,000</u>	<u>0</u>	<u>27,888</u>
Total	<u>\$ 22,888</u>	<u>\$ 46,172</u>	<u>\$134,353</u>	<u>\$ 24,000</u>	<u>\$ 21,000</u>	<u>\$ 14,000</u>	<u>\$262,413</u>

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

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.

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

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7 - LONG-TERM DEBT (continued)

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

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

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

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, 2012:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>
Primary Government				
<i>Governmental Activities</i>				
Downtown Streetscape Bonds	\$ 100,000	\$ 0	\$ 0	\$ 100,000
North Parking Lot Bonds	0	550,000	0	550,000
East Street Bonds	595,000	0	(35,000)	560,000
Murphy Street Bonds	300,000	0	(25,000)	275,000
Compensated Absences	<u>145,915</u>	<u>0</u>	<u>(25,622)</u>	<u>120,293</u>
Total Governmental Activities	<u>\$ 1,140,915</u>	<u>\$ 550,000</u>	<u>\$ (85,622)</u>	<u>\$ 1,605,293</u>
<i>Business-type Activities</i>				
Revenue Bonds - Sewer Fund	\$ 170,000	\$ 0	\$ (20,000)	\$ 150,000
USDA Loan - Sewer Fund	3,744,000	0	(54,000)	3,690,000
Revenue Bonds - Water Fund	75,000	0	(15,000)	60,000
County Contract - Water Fund	690,000	0	(395,000)	295,000
Compensated Absences	<u>48,604</u>	<u>0</u>	<u>(1,390)</u>	<u>47,214</u>
Total Business-type Activities	<u>\$4,727,604</u>	<u>\$ 0</u>	<u>\$ (485,390)</u>	<u>\$4,242,214</u>
Total Primary Government Long-Term Debt	<u>\$5,868,519</u>	<u>\$ 550,000</u>	<u>\$ (571,012)</u>	<u>\$5,847,507</u>

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7 - LONG-TERM DEBT (continued)

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

	<u>Interest Rate(s)</u>	<u>Maturity Date</u>	<u>Current Portion</u>
Downtown Streetscape Bonds	5.00 %	5/1/14	\$ 50,000
North Parking Lot Bonds	2.9% - 4.0%	5/1/24	37,000
East Street Bonds	3.00% - 4.90%	5/1/23	40,000
Murphy Street Bonds	3.50% - 3.90%	11/1/20	25,000
Revenue Bonds - Sewer Fund	5.00%	1/1/18	25,000
USDA Loan - Sewage Treatment Plan	4.00%	4/22/43	56,000
Revenue Bonds - Water Fund - Project #2	5.00%	1/1/16	15,000
County Contract	4.0% - 4.2%	11/1/15	<u>0</u>
			<u>\$ 248,000</u>

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 152,000	\$ 58,303	\$ 96,000	196,725
2014	153,000	53,106	99,000	186,805
2015	115,000	46,674	247,000	176,378
2016	116,000	42,524	255,000	165,465
2017	123,000	38,189	92,000	157,390
2018-2022	656,000	114,856	411,000	726,700
2023-2027	170,000	9,526	483,000	631,110
2028-2032	0	0	602,000	512,055
2033-2037	0	0	749,000	363,915
2038-2042	0	0	933,000	179,640
2043	<u>0</u>	<u>0</u>	<u>228,000</u>	<u>9,990</u>
Total	<u>\$ 1,485,000</u>	<u>\$ 363,178</u>	<u>\$ 4,195,000</u>	<u>\$ 3,306,173</u>

NOTE 8 – COMPONENT UNIT CONTRIBUTIONS

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

<u>LDFA:</u>		<u>DDA:</u>	
<u>General Fund</u>		<u>General Fund</u>	
Salaries and wages	\$ 25,000	Salaries and wages	\$ 25,000
Street light electricity	5,100	Purchases/improvements	79,854
Purchases/improvements	25,200		
<u>Local Streets Fund</u>		<u>Major Streets Fund</u>	
Street repair	99,523	Purchases/improvements	22,530
<u>Water Fund</u>		<u>Debt Service Fund</u>	
Water tower debt service	345,000	Bond payments	300
TOTAL	<u>\$ 499,823</u>		<u>\$ 127,684</u>

VILLAGE OF JONESVILLE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

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 2011 was 16.388 mills - 11.7057 mills allocated to General Fund, and 4.6823 mills allocated to Street Funds. The 2011 total state taxable value was approximately \$58,356,000 (\$50,564,000 ad valorem and \$7,792,000 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 2011-12 is as follows:

Asset Value - July 1, 2011	\$ 1,313,435
Employer Contributions	42,557
Employee Contributions	47,835
Investment Gain (Loss)	(7,320)
Distributions	<u>(2,438)</u>
Asset Value - June 30, 2012	<u>\$ 1,394,069</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, 2012

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	3,916	0	0	0	0
Prepaid Expenditures	9,147	0	0	0	0
Restricted:					
Streets	0	53,691	489,351	4,476	0
Assigned:					
Debt Service	0	0	0	0	3,947

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 12, 2012, 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, 2012

	<u>Budget Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Final Budget</u>
REVENUE				
Property Taxes	\$ 486,620	\$ 516,620	\$ 515,271	\$ (1,349)
Licenses and Permits	1,200	1,200	1,165	(35)
State Shared Revenue	180,373	196,100	195,982	(118)
Charges and Fees	58,700	58,700	59,547	847
Recreation	25,000	33,300	32,426	(874)
Rents and Royalties	11,500	11,500	11,110	(390)
Contributions	5,353	5,353	5,353	0
Reimbursements	1,000	1,000	2,086	1,086
Interest	1,500	1,500	827	(673)
Contributions from Component Units	163,850	160,390	160,155	(235)
Miscellaneous	<u>0</u>	<u>21,900</u>	<u>22,869</u>	<u>969</u>
Total Revenue	<u>\$ 935,096</u>	<u>\$ 1,007,563</u>	<u>\$ 1,006,791</u>	<u>\$ (772)</u>
EXPENDITURES				
General Government				
Village Council	\$ 23,590	\$ 43,340	\$ 43,099	\$ (241)
Village Manager	86,916	95,920	95,910	(10)
General Office	192,725	203,725	203,525	(200)
Treasurer	2,000	1,100	1,082	(18)
Data Processing	3,930	4,830	4,723	(107)
Village Hall	67,574	12,774	12,524	(250)
Fringe Benefits	31,985	28,885	28,573	(312)
Insurance	15,000	15,000	12,951	(2,049)
Public Safety				
Police	332,244	371,754	371,754	0
Fire	87,967	98,967	95,722	(3,245)
Economic & Community Development				
Planning & Zoning	4,298	12,798	12,660	(138)
Public Works				
Parking Lots	88,734	61,234	58,277	(2,957)
Sidewalks	27,630	5,730	748	(4,982)
Other	15,755	20,840	20,808	(32)
Streets, Highways, and Drains				
Street Lighting	30,000	30,000	29,435	(565)
Sanitation				
Landfill	5,150	5,650	5,437	(213)
Culture and Recreation				
Recreation	24,895	38,395	38,149	(246)
Parks	16,125	28,475	28,449	(26)
Capital Outlay	<u>491,700</u>	<u>491,700</u>	<u>488,683</u>	<u>(3,017)</u>
Total Expenditures	<u>\$ 1,548,218</u>	<u>\$ 1,571,117</u>	<u>\$ 1,552,509</u>	<u>\$ (18,608)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (613,122)</u>	<u>\$ (563,554)</u>	<u>\$ (545,718)</u>	<u>\$ 17,836</u>

VILLAGE OF JONESVILLE
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012
 (continued)

	<u>Budget Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Final Budget</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	\$ 105,690	\$ 119,690	\$ 119,690	\$ 0
Bond Proceeds	533,000	550,000	550,000	0
Operating Transfers Out	<u>(23,700)</u>	<u>(23,700)</u>	<u>(22,888)</u>	<u>812</u>
Total Other Financing Sources (Uses)	<u>\$ 614,990</u>	<u>\$ 645,990</u>	<u>\$ 646,802</u>	<u>\$ 812</u>
NET CHANGE IN FUND BALANCES	\$ 1,868	\$ 82,436	\$ 101,084	\$ 18,648
FUND BALANCES - Beginning	<u>815,844</u>	<u>815,844</u>	<u>815,844</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 817,712</u>	<u>\$ 898,280</u>	<u>\$ 916,928</u>	<u>\$ 18,648</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, 2012

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
State Shared Revenue	\$ 131,000	\$ 131,000	\$ 134,688	\$ 3,688
Interest	25	25	10	(15)
Contributions from Component Units	0	22,530	22,530	0
Miscellaneous	<u>0</u>	<u>0</u>	<u>333</u>	<u>333</u>
Total Revenue	<u>\$ 131,025</u>	<u>\$ 153,555</u>	<u>\$ 157,561</u>	<u>\$ 4,006</u>
EXPENDITURES				
Street Construction	\$ 0	\$ 36,780	\$ 25,343	\$ (11,437)
Routine Maintenance	71,218	71,218	50,377	(20,841)
Traffic Control	6,350	6,350	5,089	(1,261)
Winter Maintenance	<u>24,125</u>	<u>24,125</u>	<u>12,664</u>	<u>(11,461)</u>
Total Expenditures	<u>\$ 101,693</u>	<u>\$ 138,473</u>	<u>\$ 93,473</u>	<u>\$ (45,000)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 29,332</u>	<u>\$ 15,082</u>	<u>\$ 64,088</u>	<u>\$ 49,006</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 18,000	\$ 18,000	\$ 18,205	\$ 205
Transfers Out	<u>(46,172)</u>	<u>(46,172)</u>	<u>(46,172)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>\$ (28,172)</u>	<u>\$ (28,172)</u>	<u>\$ (27,967)</u>	<u>\$ 205</u>
NET CHANGE IN FUND BALANCES	\$ 1,160	\$ (13,090)	\$ 36,121	\$ 49,211
FUND BALANCES - Beginning	<u>17,570</u>	<u>17,570</u>	<u>17,570</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 18,730</u>	<u>\$ 4,480</u>	<u>\$ 53,691</u>	<u>\$ 49,211</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, 2012

	<u>Budget Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under) <u>Final Budget</u>
REVENUE				
Property Taxes	\$ 185,000	\$ 185,000	\$ 199,629	\$ 14,629
State Shared Revenue	40,000	40,000	41,935	1,935
Contributions	2,140	2,140	2,141	1
Contributions from Component Units	10,000	100,000	99,523	(477)
Interest	1,000	1,000	461	(539)
Miscellaneous	<u>0</u>	<u>0</u>	<u>58</u>	<u>58</u>
Total Revenue	<u>\$ 238,140</u>	<u>\$ 328,140</u>	<u>\$ 343,747</u>	<u>\$ 15,607</u>
EXPENDITURES				
Street Construction	\$ 158,000	\$ 251,255	\$ 243,293	\$ (7,962)
Routine Maintenance	80,860	80,860	52,845	(28,015)
Traffic Control	4,570	4,570	2,369	(2,201)
Winter Maintenance	<u>17,000</u>	<u>17,000</u>	<u>10,390</u>	<u>(6,610)</u>
Total Expenditures	<u>\$ 260,430</u>	<u>\$ 353,685</u>	<u>\$ 308,897</u>	<u>\$ (44,788)</u>
REVENUE OVER (UNDER) EXPENDITURES	\$ (22,290)	\$ (25,545)	\$ 34,850	\$ 60,395
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(134,148)</u>	<u>(134,398)</u>	<u>(134,353)</u>	<u>45</u>
NET CHANGE IN FUND BALANCES	\$(156,438)	\$(159,943)	\$ (99,503)	\$ 60,440
FUND BALANCES - Beginning	<u>588,854</u>	<u>588,854</u>	<u>588,854</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 432,416</u>	<u>\$ 428,911</u>	<u>\$ 489,351</u>	<u>\$ 60,440</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	Debt Service <u>Fund</u>	Special Revenue State Highway <u>Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 3,947	\$ 1,384	\$ 5,331
Due from Other Governmental Units	<u>0</u>	<u>5,955</u>	<u>5,955</u>
Total Assets	<u>\$ 3,947</u>	<u>\$ 7,339</u>	<u>\$ 11,286</u>
LIABILITIES			
Accounts Payable	\$ 0	\$ 0	\$ 0
Due to Other Funds	0	2,710	2,710
Salaries Payable	<u>0</u>	<u>153</u>	<u>153</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 2,863</u>	<u>\$ 2,863</u>
FUND BALANCE			
Nonspendable	\$ 0	\$ 0	\$ 0
Restricted	0	4,476	4,476
Committed	0	0	0
Assigned	3,947	0	3,947
Unassigned	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>\$ 3,947</u>	<u>\$ 4,476</u>	<u>\$ 8,423</u>
Total Liabilities and Fund Balances	<u>\$ 3,947</u>	<u>\$ 7,339</u>	<u>\$ 11,286</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, 2012

	Debt Service <u>Fund</u>	State Highway <u>Fund</u>	<u>Total</u>
REVENUE			
State Highway Contract	\$ 0	\$ 21,960	\$ 21,960
Contribution from Component Units	300	0	300
Interest Income	<u>39</u>	<u>1</u>	<u>40</u>
Total Revenue	<u>\$ 339</u>	<u>\$ 21,961</u>	<u>\$ 22,300</u>
EXPENDITURES			
Streets, Highways, Drains			
Routine Maintenance	\$ 0	\$ 12,470	\$ 12,470
Traffic Control	0	241	241
Winter Maintenance	0	7,930	7,930
Debt Service			
Principal	60,000	0	60,000
Interest	<u>42,280</u>	<u>0</u>	<u>42,280</u>
Total Expenditures	<u>\$ 102,280</u>	<u>\$ 20,641</u>	<u>\$ 122,921</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	\$(101,941)	\$ 1,320	\$(100,621)
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	<u>96,630</u>	<u>0</u>	<u>96,630</u>
NET CHANGES IN FUND BALANCES	\$ (5,311)	\$ 1,320	\$ (3,991)
FUND BALANCES - Beginning	<u>9,258</u>	<u>3,156</u>	<u>12,414</u>
FUND BALANCES - Ending	<u>\$ 3,947</u>	<u>\$ 4,476</u>	<u>\$ 8,423</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 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, 2012, which collectively comprise the Village of Jonesville's basic financial statements and have issued our report thereon dated November 12, 2012. 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

Management of the Village of Jonesville is responsible for establishing and maintaining effective 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 12, 2012