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INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Jonesville  
Jonesville, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jonesville, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jonesville, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 35 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2015, on our consideration of the City of Jonesville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Jonesville's internal control over financial reporting and compliance.

*Bailey, Hodshire & Company, P.C.*

Jonesville, Michigan  
October 27, 2015

City of Jonesville, Michigan  
Management's Discussion and Analysis (MD&A)  
For the year ended June 30, 2015

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**Introduction**

This section of the annual financial report presents management's discussion and analysis of the City's financial performance during the year ended June 30, 2015. Please read it in conjunction with the City's financial statements, which immediately follow this section.

**Financial Highlights**

- The City's assets exceeded its liabilities by \$12,456,963 (net position) at the close of this fiscal year. Net position at the beginning of the fiscal year totaled \$11,789,849, showing an increase of \$667,114 during the current year.
- The City's governmental funds reported total ending fund balance of \$1,792,849 of which \$1,268,974 is unassigned and unrestricted, and available for spending at the City's discretion. This compares to the prior year ending fund balance of \$1,279,905 showing an increase of \$512,944 during the current year.
- At the end of the current year, fund balance for the General Fund was \$1,299,197 or 131.6% of General Fund expenditures, net of capital outlay totaling \$93,240. This is an increase of \$546,618 from last year's ending fund balance of \$752,579.

**Overview of the Financial Statements**

This MD&A is intended to serve as an introduction to the City'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 City 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 City's finances, similar to that found in private sector business.

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

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

City of Jonesville, Michigan  
Management's Discussion and Analysis (MD&A)  
For the year ended June 30, 2015

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**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 City'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 City's adopted and final revised budget.

*Proprietary Funds* generally report services for which the City 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 City Programs.

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

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

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

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. The City's assets exceeded its liabilities by \$12,456,963 (net position) at the close of this fiscal year. Net position at the beginning of the fiscal year totaled \$11,789,849, showing an increase of \$667,114 over the prior year.

City of Jonesville, Michigan  
Management's Discussion and Analysis (MD&A)  
For the year ended June 30, 2015

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

**NET POSITION**

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Current Assets	\$ 1,880,098	\$ 2,572,015	\$ 1,406,179	\$ 1,522,315	\$ 3,286,277	\$ 4,094,330
Non-current Assets	<u>5,550,899</u>	<u>5,555,427</u>	<u>7,924,054</u>	<u>7,620,010</u>	<u>13,474,953</u>	<u>13,175,437</u>
Total Assets	<u>\$ 7,430,997</u>	<u>\$ 8,127,442</u>	<u>\$ 9,330,233</u>	<u>\$ 9,142,325</u>	<u>\$16,761,230</u>	<u>\$17,269,767</u>
Current Liabilities	\$ 179,043	\$ 291,370	\$ 180,859	\$ 150,906	\$ 359,902	\$ 442,276
Non-current Liabilities	<u>1,154,083</u>	<u>1,040,012</u>	<u>3,457,396</u>	<u>3,330,516</u>	<u>4,611,479</u>	<u>4,370,528</u>
Total Liabilities	<u>\$ 1,333,126</u>	<u>\$ 1,331,382</u>	<u>\$ 3,638,255</u>	<u>\$ 3,481,422</u>	<u>\$ 4,971,381</u>	<u>\$ 4,812,804</u>
Net Position:						
Invested in Capital Assets, Net of Related Debt	\$ 4,363,027	\$ 4,483,247	\$ 4,350,530	\$ 4,205,986	\$ 8,713,557	\$ 8,689,233
Restricted	527,326	493,652	51,446	51,480	578,772	545,132
Unrestricted	<u>1,207,518</u>	<u>1,819,161</u>	<u>1,290,002</u>	<u>1,403,437</u>	<u>2,497,520</u>	<u>3,222,598</u>
Total Net Position	<u>\$ 6,097,871</u>	<u>\$ 6,796,060</u>	<u>\$ 5,691,978</u>	<u>\$ 5,660,903</u>	<u>\$11,789,849</u>	<u>\$12,456,963</u>

The City reported positive net position for governmental and business-type activities. Net position increased \$698,189 for governmental activities and decreased \$31,075 for business-type activities; therefore, the City's overall financial position increased during fiscal year 2015.

City of Jonesville, Michigan  
Management's Discussion and Analysis (MD&A)  
For the year ended June 30, 2015

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

**CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Program Revenue						
Charges for Services	\$ 83,552	\$ 109,910	\$ 985,963	\$ 1,001,501	\$ 1,069,515	\$ 1,111,411
Operating Grants and Contributions	396,167	592,276	0	0	396,167	592,276
Capital Grants and Contributions	191,262	0	0	0	191,262	0
General Revenue						
Property Taxes	661,236	661,421	0	0	661,236	661,421
State Shared Revenue	209,324	211,410	0	0	209,324	211,410
Unrestricted Investment Income	708	1,839	766	1,286	1,474	3,125
Other	21,453	25,828	23,087	17,641	44,540	43,469
Transfer from Fayette Township	<u>0</u>	<u>521,102</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>521,102</u>
Total Revenue	<u>\$ 1,563,702</u>	<u>\$ 2,123,786</u>	<u>\$ 1,009,816</u>	<u>\$ 1,020,428</u>	<u>\$ 2,573,518</u>	<u>\$ 3,144,214</u>
Expenses						
General Government	\$ 371,561	\$ 459,344	\$ 0	\$ 0	\$ 371,561	\$ 459,344
Public Safety	509,678	441,695	0	0	509,678	441,695
Economic & Community Development	3,438	4,156	0	0	3,438	4,156
Public Works	78,577	72,893	0	0	78,577	72,893
Streets, Highways, Drains	350,561	305,582	0	0	350,561	305,582
Sanitation	5,244	5,975	0	0	5,244	5,975
Culture & Recreation	64,742	97,276	0	0	64,742	97,276
Interest on Long-Term Debt	49,805	45,981	0	0	49,805	45,981
Depreciation - Unallocated	48,378	39,645	0	0	48,378	39,645
Water Utility	0	0	310,073	298,404	310,073	298,404
Sewer Utility	<u>0</u>	<u>0</u>	<u>807,501</u>	<u>706,149</u>	<u>807,501</u>	<u>706,149</u>
Total Expenses	<u>\$ 1,481,984</u>	<u>\$ 1,472,547</u>	<u>\$ 1,117,574</u>	<u>\$ 1,004,553</u>	<u>\$ 2,599,558</u>	<u>\$ 2,477,100</u>
Excess (deficiency)	\$ 81,718	\$ 651,239	\$ (107,758)	\$ 15,875	\$ (26,040)	\$ 667,114
Transfers	<u>47,154</u>	<u>46,950</u>	<u>(47,154)</u>	<u>(46,950)</u>	<u>0</u>	<u>0</u>
CHANGE IN NET POSITION	<u>\$ 128,872</u>	<u>\$ 698,189</u>	<u>\$ (154,912)</u>	<u>\$ (31,075)</u>	<u>\$ (26,040)</u>	<u>\$ 667,114</u>

*Governmental Activities* increased the City's net position by \$698,189. This represents an increase from last year's change in net position. The one-time transfer from Fayette Township was 74.6% of that increase.

Revenues from governmental activities totaled \$2,123,786. Property tax revenue represented the largest portion of those revenues (31.0%), operating grants and contributions was 27.8%, and state shared revenue was 9.9%.

The largest components of governmental activities' expenses were general government (31.1%), public safety (30.0%), and streets, highways, and drains (20.7%). General government consists of City Council, Administration, Motor Vehicle Pool, etc. Public safety includes police and fire.

*Business-type Activities* decreased the City's net position by \$31,075. Net position will be used to repay debt on the sewer and water improvements, as well as to plan for future improvements in the water and sewer systems. The decrease in net position is due to the payment of Sewer Fund debt.

City of Jonesville, Michigan  
Management's Discussion and Analysis (MD&A)  
For the year ended June 30, 2015

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*Governmental Funds* - The focus of the City's governmental funds is to provide information on short-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City'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, 2015, the City's governmental funds reported combined ending fund balances of \$1,792,849. Of this total, approximately 70.7% was unrestricted and unassigned, indicating availability for continuing City service requirements. Although a substantial amount is unrestricted, future plans include rail-trail development, downtown streetscape rehabilitation, and other projects.

The General Fund is the primary operating fund of the City. At the end of the current fiscal year, the General Fund showed a healthy fund balance of \$1,299,197, representing an increase of \$546,618. 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 \$24,147 in fund balance. The Local Street Fund experienced a decrease of \$60,711 in fund balance.

*Proprietary Funds* - The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The City's proprietary funds consist of the Water Fund, Sewer Fund, and the Motor Vehicle Pool. Total net position of the Water and Sewer Funds was \$5,660,903 at June 30, 2015, a decrease of \$31,075 from the previous fiscal year, due to sewer bond payments. The Motor Vehicle Pool's net position at the end of this fiscal year was \$847,453, an increase of \$28,218 from the previous fiscal year.

**Major Governmental Funds Budgeting and Operating Highlights**

*General Fund* - The difference between the original and final amended budget for General Fund revenues was \$270,700, with the original budget being \$1,268,077, and the final budget being \$997,377. The difference between the two numbers includes a decrease in Grant Funds, which were moved forward to Fiscal Year 2016. Rail/Trail grant funds are in the form of expenditure reimbursements, and the majority of construction will occur in Fiscal Year 2016. The decrease between the appropriations originally budgeted and the final appropriations budget was \$284,080 (\$1,414,394 vs. \$1,130,314). The majority of this difference is in Culture and Recreation, due to little Rail/Trail spending. Other changes in the budget include expenditures related to becoming a City in August, 2014 (Elections - \$5,000; Board of Review - \$1,850; Assessor - \$25,250; and Cemetery - \$41,000). Capital Outlay was \$54,810. Capital expenditures include: computer and software upgrades at City Hall and the Police and Fire Departments; cemetery asset acquisition; fire safe files for cemetery, election, and assessor documents; concession stand upgrades and fencing at the Wright Street Park; rail/trail parking lot; police and fire safety equipment; a handicap ramp at the Fire Station; and South Parking Lot repairs.

City of Jonesville, Michigan  
Management's Discussion and Analysis (MD&A)  
For the year ended June 30, 2015

**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>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Land	\$ 194,995	\$ 204,995	\$ 2,061	\$ 2,061	\$ 197,056	\$ 207,056
Land Improvements	116,243	117,443	0	0	116,243	117,443
Buildings and Improvements	872,922	882,882	0	0	872,922	882,882
Facilities and Mains	0	0	14,198,140	14,215,756	14,198,140	14,215,756
Furniture and Equipment	782,039	852,539	560,241	571,812	1,342,280	1,424,351
Vehicles	1,163,481	1,163,481	0	0	1,163,481	1,163,481
Infrastructure	5,633,837	5,877,550	0	0	5,633,837	5,877,550
Less: Acc. Depreciation	<u>(3,212,618)</u>	<u>(3,543,463)</u>	<u>(6,836,387)</u>	<u>(7,169,619)</u>	<u>(10,049,005)</u>	<u>(10,713,082)</u>
Total Capital Assets, Net Of Depreciation	<u>\$ 5,550,899</u>	<u>\$ 5,555,427</u>	<u>\$ 7,924,055</u>	<u>\$ 7,620,010</u>	<u>\$13,474,954</u>	<u>\$13,175,437</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>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
General Government	\$ 1,180,000	\$ 1,065,000	\$ 0	\$ 0	\$ 1,180,000	\$ 1,065,000
Revenue Bonds	0	0	3,585,000	3,425,000	3,585,000	3,425,000
County Contract	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Long-Term Debt	<u>\$ 1,180,000</u>	<u>\$ 1,065,000</u>	<u>\$ 3,585,000</u>	<u>\$ 3,425,000</u>	<u>\$ 4,765,000</u>	<u>\$ 4,490,000</u>

**Factors Bearing on the City's Future**

National and state economic conditions have resulted in reduced revenues, requiring a reduction in expenditures while maintaining quality services. We must be mindful of potential impacts resulting from personal property tax reform. These economic conditions have acted as a catalyst for us to focus on planning for our future. This has been accomplished by reviewing and revising the City's strategic plans, including the Joint Recreation and Master Plans, the Downtown Development Authority Plan, the Local Development Finance Authority Plan, and the City's Five Year Capital Improvement Plan. We continue to depend on state constitutional revenue sharing, and are in compliance with the State of Michigan's City, Village, and Township Revenue Sharing Program (CVTRS). 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 2015/16 focus will be to continue the high level of service that our residents expect, including the new statutory responsibilities that came with cityhood. We strive to maintain and expand public/private partnerships and promote small business development. These ideas allow us to build a better community for the 21<sup>st</sup> century.

**Contacting the City's Financial Management**

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

**CITY OF JONESVILLE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 124,267	\$ 206,911	\$ 331,178	\$ 24,359
Investments	2,318,315	1,268,756	3,587,071	871,489
Accounts Receivable	20,078	27,880	47,958	142,719
Internal Balances	33	(33)	0	0
Due from Other Governmental Units	78,371	0	78,371	0
Inventory	5,809	7,273	13,082	0
Prepaid Expense	25,142	11,528	36,670	25
Total Current Assets	<u>\$ 2,572,015</u>	<u>\$ 1,522,315</u>	<u>\$ 4,094,330</u>	<u>\$1,038,592</u>
Noncurrent Assets				
Capital Assets - Not Depreciated	\$ 204,995	\$ 2,061	\$ 207,056	\$ 97,544
Other Capital Assets - Net of Depreciation	5,350,432	7,617,949	12,968,381	0
Total Noncurrent Assets	<u>\$ 5,555,427</u>	<u>\$ 7,620,010</u>	<u>\$13,175,437</u>	<u>\$ 97,544</u>
Total Assets	<u>\$ 8,127,442</u>	<u>\$ 9,142,325</u>	<u>\$17,269,767</u>	<u>\$1,136,136</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts Payable	\$ 143,935	\$ 20,294	\$ 164,229	\$ 151,530
Unearned Revenue	0	0	0	1,044
Accrued Payroll	24,255	5,012	29,267	0
Customer Deposits	0	600	600	0
Interest Payable	7,180	0	7,180	0
Current Portion of Long-Term Debt	116,000	125,000	241,000	0
Total Current Liabilities	<u>\$ 291,370</u>	<u>\$ 150,906</u>	<u>\$ 442,276</u>	<u>\$ 152,574</u>
Noncurrent Liabilities				
Bonds Payable (net of discount)	\$ 949,000	\$ 3,289,024	\$ 4,238,024	\$ 0
Compensated Absences	91,012	41,492	132,504	0
Total Noncurrent Liabilities	<u>\$ 1,040,012</u>	<u>\$ 3,330,516</u>	<u>\$ 4,370,528</u>	<u>\$ 0</u>
Total Liabilities	<u>\$ 1,331,382</u>	<u>\$ 3,481,422</u>	<u>\$ 4,812,804</u>	<u>\$ 152,574</u>
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	\$ 4,483,247	\$ 4,205,986	\$ 8,689,233	\$ 97,544
Restricted for: Streets	493,652	0	493,652	0
General Purpose - Sewer	0	16,360	16,360	0
Debt Service - Sewer	0	35,120	35,120	0
Unrestricted	1,819,161	1,403,437	3,222,598	886,018
Total Net Position	<u>\$ 6,796,060</u>	<u>\$ 5,660,903</u>	<u>\$12,456,963</u>	<u>\$ 983,562</u>

See accompanying notes to the basic financial statements.

**CITY OF JONESVILLE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

<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>	
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General Government	\$ 459,344	\$ 36,475	\$ 355,977	\$ 0	\$ (66,892)
Public Safety	441,695	53,095	0	0	(388,600)
Economic & Community Development	4,156	1,100	0	0	(3,056)
Public Works	72,893	0	0	0	(72,893)
Streets, Highways, and Drains	305,582	0	220,396	0	(85,186)
Sanitation	5,975	0	0	0	(5,975)
Culture and Recreation	97,276	19,240	15,903	0	(62,133)
Interest on Long-Term Debt	45,981	0	0	0	(45,981)
Depreciation - Unallocated <sup>1</sup>	<u>39,645</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(39,645)</u>
Total Governmental Activities	<u>\$ 1,472,547</u>	<u>\$ 109,910</u>	<u>\$ 592,276</u>	<u>\$ 0</u>	<u>\$ (770,361)</u>
<b>Business-type Activities:</b>					
Water	\$ 298,404	\$ 302,487	\$ 0	\$ 0	\$ 4,083
Sewer	<u>706,149</u>	<u>699,014</u>	<u>0</u>	<u>0</u>	<u>(7,135)</u>
Total Business-type Activities	<u>\$ 1,004,553</u>	<u>\$ 1,001,501</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (3,052)</u>
Total Primary Government	<u>\$ 2,477,100</u>	<u>\$ 1,111,411</u>	<u>\$ 592,276</u>	<u>\$ 0</u>	<u>\$ (773,413)</u>
<b>Component Units:</b>					
Downtown Development Authority	\$ 191,497	\$ 0	\$ 39,000	\$ 0	\$ (152,497)
Local Development Finance Authority	<u>221,697</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(221,697)</u>
Total Component Units	<u>\$ 413,194</u>	<u>\$ 0</u>	<u>\$ 39,000</u>	<u>\$ 0</u>	<u>\$ 374,194</u>
<b>Primary Government</b>					
		<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Component</u>
		<u>Activities</u>	<u>Activities</u>		<u>Units</u>
Change in Net Position:					
Net (Expense) Revenue		<u>\$ (770,361)</u>	<u>\$ (3,052)</u>	<u>\$ (773,413)</u>	<u>\$ (374,194)</u>
<b>General Revenue:</b>					
Property Taxes Levied for General Purposes		\$ 473,905	\$ 0	\$ 473,905	\$ 0
Property Taxes Levied for Local Streets		187,516	0	187,516	0
Property Taxes Captured		0	0	0	465,269
State Shared Revenue		211,410	0	211,410	0
Unrestricted Investment Income		1,839	1,286	3,125	666
Miscellaneous		25,828	17,641	43,469	15,502
Extraordinary Item:					
Transfer from Fayette Township		<u>521,102</u>	<u>0</u>	<u>521,102</u>	<u>0</u>
Total General Revenue and Extraordinary Item		<u>\$ 1,421,600</u>	<u>\$ 18,927</u>	<u>\$ 1,440,527</u>	<u>\$ 481,437</u>
Excess (deficiency)		\$ 651,239	\$ 15,875	\$ 667,114	\$ 107,243

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

CITY OF JONESVILLE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015  
(continued)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Excess (deficiency)	\$ 651,239	\$ 15,875	\$ 667,114	\$ 107,243
Transfers	46,950	(46,950)	0	0
Change in Net Position	\$ 698,189	\$ (31,075)	\$ 667,114	\$ 107,243
Net Position – Beginning	6,097,871	5,691,978	11,789,849	876,319
Net Position – Ending	\$ 6,796,060	\$ 5,660,903	\$12,456,963	\$ 983,562

See accompanying notes to the basic financial statements.

CITY OF JONESVILLE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash	\$ 43,787	\$ 14,973	\$ 15,575	\$ 3,943	\$ 78,278
Investments	1,223,294	26,311	496,616	0	1,746,221
Accounts Receivable	20,078	0	0	0	20,078
Due from Other Funds	499	0	0	0	499
Due from Other Governmental Units	39,870	24,861	8,943	4,697	78,371
Inventory	5,809	0	0	0	5,809
Prepaid Expenditures	<u>24,414</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>24,414</u>
Total Assets	<u>\$ 1,357,751</u>	<u>\$ 66,145</u>	<u>\$ 521,134</u>	<u>\$ 8,640</u>	<u>\$ 1,953,670</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 36,028	\$ 1,739	\$ 98,611	\$ 0	\$ 136,378
Due to Other Funds	0	0	0	466	466
Salaries Payable	<u>22,526</u>	<u>361</u>	<u>828</u>	<u>262</u>	<u>23,977</u>
Total Liabilities	<u>\$ 58,554</u>	<u>\$ 2,100</u>	<u>\$ 99,439</u>	<u>\$ 728</u>	<u>\$ 160,821</u>
<b>FUND BALANCES</b>					
Nonspendable	\$ 30,223	\$ 0	\$ 0	\$ 0	\$ 30,223
Restricted	0	64,045	421,695	7,912	493,652
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Unassigned	<u>1,268,974</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,268,974</u>
Total Fund Balances	<u>\$ 1,299,197</u>	<u>\$ 64,045</u>	<u>\$ 421,695</u>	<u>\$ 7,912</u>	<u>\$ 1,792,849</u>
Total Liabilities and Fund Balances	<u>\$ 1,357,751</u>	<u>\$ 66,145</u>	<u>\$ 521,134</u>	<u>\$ 8,640</u>	<u>\$ 1,953,670</u>

The accompanying notes are an integral part of this statement.

CITY OF JONESVILLE  
 Reconciliation of Fund Balances on the Balance Sheet  
 for Governmental Funds to Net Position of  
 Governmental Activities on the Statement of Net Position  
 June 30, 2015

Fund Balances - total governmental funds \$ 1,792,849

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

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

Add: Capital assets	9,098,890
Deduct: Accumulated depreciation	(3,543,463)

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

Add: Internal Service Fund assets	618,811
Deduct: Internal Service Fund liabilities	(7,835)

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	(1,065,000)
Deduct: Accrued interest on bonds and notes payable	(7,180)
Deduct: Compensated absences	<u>(91,012)</u>

Net position of governmental activities \$ 6,796,060

The accompanying notes are an integral part of this statement.

CITY OF JONESVILLE  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUE</b>					
Property Taxes	\$ 483,434	\$ 0	\$ 187,516	\$ 0	\$ 670,950
Licenses and Permits	935	0	0	0	935
State Shared Revenue	211,410	148,395	46,407	0	406,212
Charges and Fees	64,362	0	0	0	64,362
State Highway Contract	0	0	0	23,453	23,453
Recreation	35,142	0	0	0	35,142
Rents and Royalties	14,088	0	0	0	14,088
Cemetery Revenue	15,844	0	0	0	15,844
Contributions	5,353	0	2,141	0	7,494
Grants	0	0	0	0	0
Interest	1,236	12	591	0	1,839
Contributions from Component Units	154,001	0	139,611	57,011	350,623
Miscellaneous	11,713	0	29	0	11,742
Total Revenue	<u>\$ 997,518</u>	<u>\$ 148,407</u>	<u>\$ 376,295</u>	<u>\$ 80,464</u>	<u>\$ 1,602,684</u>
<b>EXPENDITURES</b>					
General Government	\$ 437,507	\$ 0	\$ 0	\$ 0	\$ 437,507
Public Safety	385,210	0	0	0	385,210
Economic & Community Development	4,156	0	0	0	4,156
Public Works	35,097	0	0	0	35,097
Streets, Highways, and Drains	32,063	73,027	303,766	18,239	427,095
Sanitation	5,975	0	0	0	5,975
Culture and Recreation	87,042	0	0	0	87,042
Capital Outlay	93,240	0	0	0	93,240
Debt Service – Principal	0	0	0	115,000	115,000
- Interest	0	0	0	46,673	46,673
Total Expenditures	<u>\$ 1,080,290</u>	<u>\$ 73,027</u>	<u>\$ 303,766</u>	<u>\$ 179,912</u>	<u>\$ 1,636,995</u>
<b>REVENUE OVER (UNDER) EXPENDITURES</b>	<u>\$ (82,772)</u>	<u>\$ 75,380</u>	<u>\$ 72,529</u>	<u>\$ (99,448)</u>	<u>\$ (34,311)</u>

CITY OF JONESVILLE  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015  
(continued)

OTHER FINANCING SOURCES (USES)					
Operating Transfers In	\$ 131,744	\$ 0	\$ 0	\$ 104,662	\$ 236,406
Operating Transfers Out	<u>(23,456)</u>	<u>(51,233)</u>	<u>(133,240)</u>	<u>(2,324)</u>	<u>(210,253)</u>
Total Other Financing Sources (Uses)	<u>\$ 108,288</u>	<u>\$ (51,233)</u>	<u>\$ (133,240)</u>	<u>\$ 102,388</u>	<u>\$ 26,153</u>
EXTRAORDINARY ITEM					
Transfer from Fayette Township	<u>\$ 521,102</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 521,102</u>
NET CHANGE IN FUND BALANCES	\$ 546,618	\$ 24,147	\$ (60,711)	\$ 2,890	\$ 512,944
FUND BALANCES – Beginning	<u>752,579</u>	<u>39,898</u>	<u>482,406</u>	<u>5,022</u>	<u>1,279,905</u>
FUND BALANCES – Ending	<u>\$ 1,299,197</u>	<u>\$ 64,045</u>	<u>\$ 421,695</u>	<u>\$ 7,912</u>	<u>\$ 1,792,849</u>

The accompanying notes are an integral part of this statement.

CITY 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, 2015

Net changes in fund balances - total governmental funds	\$ 512,944
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	330,924
Deduct: Depreciation expense	(330,845)
An Internal Service Fund is used by management to charge the cost of equipment and vehicle usage to individual funds. Net revenue of the Internal Service Fund of (before depreciation) is reported with governmental activities in the statement of net position.	
	71,403
Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Add: Principal payments on long-term debt	115,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Add: Decrease in interest payable on long-term liabilities	692
Deduct: Increase in accrual for compensated absences	<u>(1,929)</u>
Change in net position of governmental activities	<u>\$ 698,189</u>

The accompanying notes are an integral part of this statement.

**CITY OF JONESVILLE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2015**

	<u>Enterprise Funds</u>		Total	Internal
	<u>Water</u>	<u>Sewer</u>	<u>Funds</u>	<u>Funds</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	\$ 27,032	\$ 163,519	\$ 190,551	\$ 45,989
Investments	371,898	861,738	1,233,636	572,094
Accounts Receivable	8,449	19,431	27,880	0
Inventory	2,367	4,906	7,273	0
Prepaid Expense	<u>183</u>	<u>11,345</u>	<u>11,528</u>	<u>728</u>
Total Current Assets	<u>\$ 409,929</u>	<u>\$ 1,060,939</u>	<u>\$ 1,470,868</u>	<u>\$ 618,811</u>
<b>Restricted Assets</b>				
General Purpose	\$ 0	\$ 16,360	\$ 16,360	\$ 0
Bond Reserve	<u>0</u>	<u>35,120</u>	<u>35,120</u>	<u>0</u>
Total Restricted Assets	<u>\$ 0</u>	<u>\$ 51,480</u>	<u>\$ 51,480</u>	<u>\$ 0</u>
<b>Noncurrent Assets</b>				
Capital Assets - Not Depreciated	\$ 2,061	\$ 0	\$ 2,061	\$ 0
Other Capital Assets, Net of Accumulated Depreciation	<u>1,430,674</u>	<u>6,187,275</u>	<u>7,617,949</u>	<u>236,477</u>
Total Noncurrent Assets	<u>\$ 1,432,735</u>	<u>\$ 6,187,275</u>	<u>\$ 7,620,010</u>	<u>\$ 236,477</u>
Total Assets	<u>\$ 1,842,664</u>	<u>\$ 7,299,694</u>	<u>\$ 9,142,358</u>	<u>\$ 855,288</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 8,774	\$ 11,520	\$ 20,294	\$ 7,557
Accrued Payroll	1,613	3,399	5,012	278
Due to Other Funds	0	33	33	0
Customer Deposits	<u>300</u>	<u>300</u>	<u>600</u>	<u>0</u>
Total Current Liabilities	<u>\$ 10,687</u>	<u>\$ 15,252</u>	<u>\$ 25,939</u>	<u>\$ 7,835</u>
<b>Liabilities Payable from Restricted Assets</b>				
Accrued Interest Payable	\$ 0	\$ 0	\$ 0	\$ 0
Revenue Bonds - Current	<u>0</u>	<u>125,000</u>	<u>125,000</u>	<u>0</u>
Total Liabilities Payable from Restricted Assets	<u>\$ 0</u>	<u>\$ 125,000</u>	<u>\$ 125,000</u>	<u>\$ 0</u>
<b>Noncurrent Liabilities</b>				
General Obligation Bonds	\$ 0	\$ 3,250,000	\$ 3,250,000	\$ 0
Bond Discount	0	(10,976)	(10,976)	0
Revenue Bonds	0	50,000	50,000	0
Compensated Absences	<u>18,330</u>	<u>23,162</u>	<u>41,492</u>	<u>0</u>
Total Noncurrent Liabilities	<u>\$ 18,330</u>	<u>\$ 3,312,186</u>	<u>\$ 3,330,516</u>	<u>\$ 0</u>
Total Liabilities	<u>\$ 29,017</u>	<u>\$ 3,452,438</u>	<u>\$ 3,481,455</u>	<u>\$ 7,835</u>
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	\$ 1,432,735	\$ 2,773,251	\$ 4,205,986	\$ 236,477
Restricted by Bond Covenants	0	51,480	51,480	0
Unrestricted	<u>380,912</u>	<u>1,022,525</u>	<u>1,403,437</u>	<u>610,976</u>
Total Net Position	<u>\$ 1,813,647</u>	<u>\$ 3,847,256</u>	<u>\$ 5,660,903</u>	<u>\$ 847,453</u>

See accompanying notes to the basic financial statements.

**CITY OF JONESVILLE**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Enterprise Funds</u>		<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>		
<b>OPERATING REVENUE</b>				
Sales	\$ 298,037	\$ 699,014	\$ 997,051	\$ 0
Equipment Rental	4,450	0	4,450	95,275
Other	<u>11,471</u>	<u>6,170</u>	<u>17,641</u>	<u>3,234</u>
Total Operating Revenue	<u>\$ 313,958</u>	<u>\$ 705,184</u>	<u>\$ 1,019,142</u>	<u>\$ 98,509</u>
<b>OPERATING EXPENSES</b>				
Sewage Disposal	\$ 0	\$ 311,928	\$ 311,928	\$ 0
Water Plant Operation	177,048	0	177,048	0
Water Distribution Expenses	49,545	0	49,545	0
Depreciation	71,811	261,421	333,232	43,185
Motor Vehicle Expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>64,590</u>
Total Operating Expenses	<u>\$ 298,404</u>	<u>\$ 573,349</u>	<u>\$ 871,753</u>	<u>\$ 107,775</u>
<b>OPERATING INCOME (LOSS)</b>	<u>\$ 15,554</u>	<u>\$ 131,835</u>	<u>\$ 147,389</u>	<u>\$ (9,266)</u>
<b>NON-OPERATING REVENUE (EXPENSES)</b>				
Interest Income	\$ 311	\$ 975	\$ 1,286	\$ 498
Interest Expense	<u>0</u>	<u>(132,800)</u>	<u>(132,800)</u>	<u>0</u>
Total Non-operating Revenue (Expense)	<u>\$ 311</u>	<u>\$ (131,825)</u>	<u>\$ (131,514)</u>	<u>\$ 498</u>
Income (Loss) Before Contributions and Transfers	<u>\$ 15,865</u>	<u>\$ 10</u>	<u>\$ 15,875</u>	<u>\$ (8,768)</u>
<b>CONTRIBUTIONS AND TRANSFERS</b>				
Contributions from Other Governments	\$ 0	\$ 0	\$ 0	\$ 16,189
Transfers From Other Funds	0	0	0	28,456
Transfers To Other Funds	<u>(21,975)</u>	<u>(24,975)</u>	<u>(46,950)</u>	<u>(7,659)</u>
Total Contributions and Transfers	<u>\$ (21,975)</u>	<u>\$ (24,975)</u>	<u>\$ (46,950)</u>	<u>\$ 36,986</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ (6,110)</u>	<u>\$ (24,965)</u>	<u>\$ (31,075)</u>	<u>\$ 28,218</u>
NET POSITION – Beginning	<u>1,819,757</u>	<u>3,872,221</u>	<u>5,691,978</u>	<u>819,235</u>
NET POSITION – Ending	<u>\$ 1,813,647</u>	<u>\$ 3,847,256</u>	<u>\$ 5,660,903</u>	<u>\$ 847,453</u>

See accompanying notes to the basic financial statements.

**CITY OF JONESVILLE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 304,153	\$ 702,595	\$ 1,006,748	\$ 0
Cash received from interfund services provided	0	0	0	97,781
Cash payments to suppliers for goods and services	(151,436)	(191,248)	(342,684)	(47,599)
Cash payments to employees and professional contractors for services	(72,272)	(123,892)	(196,164)	(21,633)
Other operating receipts	<u>11,471</u>	<u>6,170</u>	<u>17,641</u>	<u>3,234</u>
Net cash provided (used) by operating activities	<u>\$ 91,916</u>	<u>\$ 393,625</u>	<u>\$ 485,541</u>	<u>\$ 31,783</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Contributions from other governments	\$ 0	\$ 0	\$ 0	\$ 16,189
Transfers from other funds	0	0	0	28,456
Transfers to other funds	<u>(21,975)</u>	<u>(24,975)</u>	<u>(46,950)</u>	<u>0</u>
Net cash provided (used) by non-capital financing activities	<u>\$ (21,975)</u>	<u>\$ (24,975)</u>	<u>\$ (46,950)</u>	<u>\$ 44,645</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	\$ (8,818)	\$ (20,369)	\$ (29,187)	\$ (4,449)
Principal paid on bonds and loans	0	(160,000)	(160,000)	0
Interest paid on bonds and loans	<u>0</u>	<u>(133,369)</u>	<u>(133,369)</u>	<u>0</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (8,818)</u>	<u>\$ (313,738)</u>	<u>\$ (322,556)</u>	<u>\$ (4,449)</u>
<b>CASH FLOWS FORM INVESTING ACTIVITIES</b>				
Investment income	<u>\$ 311</u>	<u>\$ 975</u>	<u>\$ 1,286</u>	<u>\$ 498</u>
Net cash provided (used) by investment activities	<u>\$ 311</u>	<u>\$ 975</u>	<u>\$ 1,286</u>	<u>\$ 498</u>
NET INCREASE (DECREASE) IN CASH	\$ 61,434	\$ 55,887	\$ 117,321	\$ 72,477
CASH AND CASH EQUIVALENTS - Beginning	<u>337,496</u>	<u>1,020,850</u>	<u>1,358,346</u>	<u>545,606</u>
CASH AND CASH EQUIVALENTS - Ending	<u>\$ 398,930</u>	<u>\$ 1,076,737</u>	<u>\$ 1,475,667</u>	<u>\$ 618,083</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 15,554	\$ 131,835	\$ 147,389	\$ (16,925)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	71,811	261,421	333,232	43,185
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	597	3,272	3,869	1,013
(Increase) decrease in due from other funds	1,069	309	1,378	1,493
(Increase) decrease in inventories	(746)	(2,222)	(2,968)	0
(Increase) decrease in prepaid expense	(8)	446	438	(24)
Increase (decrease) in accounts payable	4,396	4,435	8,831	3,216
Increase (decrease) in wages and benefits payable	(763)	(3,021)	(3,784)	(175)
Increase (decrease) in due to other funds	(436)	(28)	(464)	0
Increase (decrease) in customer deposits	0	0	0	0
Increase (decrease) in compensated absences	<u>442</u>	<u>(2,822)</u>	<u>(2,380)</u>	<u>0</u>
Net cash provided (used) by operating activities	<u>\$ 91,916</u>	<u>\$ 393,625</u>	<u>\$ 485,541</u>	<u>\$ 31,783</u>

See accompanying notes to the basic financial statements.

CITY OF JONESVILLE  
STATEMENT OF ASSETS AND LIABILITIES  
AGENCY FUND  
JUNE 30, 2015

ASSETS

Cash

\$ 11,880

LIABILITIES

Payroll deductions withheld

\$ 11,880

See accompanying notes to the basic financial statements.

CITY OF JONESVILLE  
 COMBINING STATEMENT OF NET POSITION  
 COMPONENT UNITS  
 JUNE 30, 2015

	<u>DDA</u>	<u>LDFA</u>	<u>Total Component Units</u>
<b>ASSETS</b>			
Current Assets			
Cash	\$ 8,318	\$ 16,041	\$ 24,359
Investments	219,906	651,583	871,489
Accounts Receivable	36,507	106,212	142,719
Prepaid Expense	<u>25</u>	<u>0</u>	<u>25</u>
Total Current Assets	<u>\$ 264,756</u>	<u>\$ 773,836</u>	<u>\$1,038,592</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>\$ 264,756</u>	<u>\$ 871,380</u>	<u>\$1,136,136</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	\$ 10,534	\$ 140,996	\$ 151,530
Unearned Revenue	<u>0</u>	<u>1,044</u>	<u>1,044</u>
Total Liabilities	<u>\$ 10,534</u>	<u>\$ 142,040</u>	<u>\$ 152,574</u>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	\$ 0	\$ 97,544	\$ 97,544
Unrestricted	<u>254,222</u>	<u>631,796</u>	<u>886,018</u>
Total Net Position	<u>\$ 254,222</u>	<u>\$ 729,340</u>	<u>\$ 983,562</u>

See accompanying notes to the basic financial statements.

CITY OF JONESVILLE  
 COMBINING STATEMENT OF ACTIVITIES  
 COMPONENT UNITS  
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>DDA</u>	<u>LDFA</u>	<u>Total Component Units</u>
<b>EXPENSES</b>			
Downtown Development	\$ 31,137	\$ 0	\$ 31,137
Industrial Development	0	31,434	31,434
Contributions to City activities	<u>160,360</u>	<u>190,263</u>	<u>350,623</u>
Total Expenses	<u>\$ 191,497</u>	<u>\$ 221,697</u>	<u>\$ 413,194</u>
<b>PROGRAM REVENUE</b>			
Charges for Services	\$ 0	\$ 0	\$ 0
Operating Grants and Contributions	39,000	0	39,000
Capital Grants and Contributions	<u>0</u>	<u>0</u>	<u>0</u>
Total Program Revenue	<u>\$ 39,000</u>	<u>\$ 0</u>	<u>\$ 39,000</u>
<b>NET (EXPENSE) REVENUE</b>	<u>\$(152,497)</u>	<u>\$(221,697)</u>	<u>\$(374,194)</u>
<b>GENERAL REVENUE</b>			
Property Taxes Captured	\$ 126,861	\$ 338,408	\$ 465,269
Land Rent	0	15,012	15,012
Investment Income	212	454	666
Other Income	<u>490</u>	<u>0</u>	<u>490</u>
Total General Revenue	<u>\$ 127,563</u>	<u>\$ 353,874</u>	<u>\$ 481,437</u>
<b>CHANGE IN NET POSITION</b>	\$ (24,934)	\$ 132,177	\$ 107,243
<b>NET POSITION – Beginning</b>	<u>279,156</u>	<u>597,163</u>	<u>876,319</u>
<b>NET POSITION - Ending</b>	<u>\$ 254,222</u>	<u>\$ 729,340</u>	<u>\$ 983,562</u>

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

See accompanying notes to the basic financial statements.

CITY OF JONESVILLE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The following component units are reported in the City'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 City 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 City and to promote economic growth.

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

The accounting policies of the City 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 City of Jonesville:

**Government-Wide and Fund Financial Statements**

Government-Wide Financial Statements - The statement of net position and the statement of activities display financial information about the City 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 City 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 City'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 City.

Fund Financial Statements - Fund financial statements report detailed information about the City. 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.

CITY OF JONESVILLE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Measurement Focus and Basis of Accounting**

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

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City 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 City 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 City functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The City reports the following major governmental funds:

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

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

CITY OF JONESVILLE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The City reports the following major enterprise funds:

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

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

Additionally, the City 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 City's general obligation debt.

Internal Service Fund - accounts for the financing of goods and services provided by one department to other departments within the City 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 City in a custodial capacity as an agent on behalf of others (i.e. employee payroll deductions).

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

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

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

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets paid for by component units are transferred to the primary government and are also reported in the government-wide statements. Proprietary Fund capital assets are reported in their respective fund financial statements. The City 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 City 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

CITY OF JONESVILLE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Deferred Outflows/Inflows of Resources**

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

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

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

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

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

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

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

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

The City 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.

CITY OF JONESVILLE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

Estimates

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

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

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

- 1) Prior to June 30, the City Manager submits to the City 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 City, transfer of appropriations may be made by the authorization of the City Manager. Such transfers appropriations must be approved by the City Council at its next regularly scheduled meeting.
- 5) The City Manager is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

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

<u>Fund</u>	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	Capital Outlay	\$ 54,810	\$ 93,240	\$ 38,430

**NOTE 3 - DEPOSITS AND INVESTMENTS**

State of Michigan laws authorize the City 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 City's investment policy puts no further limits on its investment choices.

CITY OF JONESVILLE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 3 – DEPOSITS AND INVESTMENTS (continued)**

Deposits

Following are the components of the City’s bank deposits at June 30, 2015:

	Primary Government	Component Units
Cash on hand	\$ 450	\$ 0
Checking and savings accounts	361,369	24,359
Certificates of deposit	<u>16,360</u>	<u>0</u>
	<u>\$ 378,179</u>	<u>\$ 24,359</u>

Investments

Following are the components of the City’s investments at June 30, 2015:

MBIA CLASS Investment Pool	<u>\$ 3,551,950</u>	<u>\$ 871,490</u>
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The City’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 City 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 City 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 City will do business, and diversifying the portfolio so that potential losses on individual securities will be minimized. As of June 30, 2015, the City’s investment in the MBIA CLASS Investment Pool was rated AAAM by Standard & Poors.

*Concentration of credit risk* – The City 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 City’s deposits may not be returned to it. At June 30, 2015, the carrying amount of the City’s deposits was \$402,088 and the bank balance was \$412,625. The entire bank balance was covered by federal depository insurance. The City minimizes custodial credit risk by holding all investments in the City’s name.

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

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2015, 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.

**CITY OF JONESVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 4 – RECEIVABLES (continued)**

A summary of the principal items of receivables follows:

	General <u>Fund</u>	Major <u>Street</u>	Local <u>Street</u>	Other Governmental <u>Funds</u>	Proprietary <u>Funds</u>	<u>Total</u>
State Revenue Sharing	\$ 36,385	\$ 24,861	\$ 7,771	\$ 0	\$ 0	\$ 69,017
Property Taxes	3,485	0	1,172	0	0	4,657
State Highway Contract	0	0	0	4,697	0	4,697
Utility customers	0	0	0	0	26,332	26,332
Other Receivables	<u>20,079</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,548</u>	<u>21,627</u>
Total	<u>\$ 59,949</u>	<u>\$ 24,861</u>	<u>\$ 8,943</u>	<u>\$ 4,697</u>	<u>\$ 27,880</u>	<u>\$ 126,330</u>

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
<b>PRIMARY GOVERNMENT</b>				
<u>Governmental Activities</u>				
Capital assets not being depreciated				
Land	\$ 194,995	\$ 10,000	\$ 0	\$ 204,995
Capital assets being depreciated				
Land Improvements	\$ 116,243	\$ 1,200	\$ 0	\$ 117,443
Buildings & Improvements	872,922	9,960	0	882,882
Furniture & Equipment	782,039	70,500	0	852,539
Vehicles	1,163,481	0	0	1,163,481
Infrastructure	5,633,837	243,713	0	5,877,550
Less accumulated depreciation	<u>(3,212,618)</u>	<u>(330,845)</u>	<u>0</u>	<u>(3,543,463)</u>
Total capital assets being depreciated, net	<u>\$ 5,355,904</u>	<u>\$ (5,472)</u>	<u>\$ 0</u>	<u>\$ 5,350,432</u>
Total capital assets, net	<u>\$ 5,550,899</u>	<u>\$ 4,528</u>	<u>\$ 0</u>	<u>\$ 5,555,427</u>
<u>Business-Type Activities</u>				
Capital assets not being depreciated				
Land	\$ 2,061	\$ 0	\$ 0	\$ 2,061
Capital assets being depreciated				
Facilities & Mains	\$14,198,140	\$ 17,616	\$ 0	\$14,215,756
Machinery & Equipment	560,241	11,571	0	571,812
Less accumulated depreciation	<u>(6,836,387)</u>	<u>(333,232)</u>	<u>0</u>	<u>(7,169,619)</u>
Total capital assets being depreciated, net	<u>\$ 7,921,994</u>	<u>\$ (304,045)</u>	<u>\$ 0</u>	<u>\$ 7,617,949</u>
Total capital assets, net	<u>\$ 7,924,055</u>	<u>\$ (304,045)</u>	<u>\$ 0</u>	<u>\$ 7,620,010</u>
<b>PRIMARY GOVERNMENT</b>				
Total capital assets, net	<u>\$13,474,954</u>	<u>\$ (299,517)</u>	<u>\$ 0</u>	<u>\$13,175,437</u>
<b>COMPONENT UNITS</b>				
Capital assets not being depreciated				
Land	<u>\$ 97,544</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 97,544</u>

CITY OF JONESVILLE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 5 - CAPITAL ASSETS (continued)**

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

Governmental Activities:		Business-Type Activities:	
General Government	\$ 19,908	Water	\$ 71,811
Public Safety	56,485	Sewer	<u>261,421</u>
Public Improvements	37,796	Total	<u>\$ 333,232</u>
Streets, Highways and Drains	166,777		
Culture and Recreation	10,234		
Unallocated	<u>39,645</u>		
Total	<u>\$ 330,845</u>		

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances at June 30, 2015, is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 466	State Highway Fund	\$ 466
Sewer Fund	<u>33</u>	Sewer Fund	<u>33</u>
	<u>\$ 499</u>		<u>\$ 499</u>

Interfund transfers during the year consisted of the following:

	Transfer From							Motor Vehicle Pool	Total
	<u>General Fund</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>State Highway</u>	<u>Sewer</u>	<u>Water</u>	<u>Water</u>		
Transfer to:									
General Fund	\$ 0	\$ 13,253	\$ 66,558	\$ 2,324	\$ 20,975	\$ 20,975	\$ 7,659	\$131,744	
Debt Service	0	37,970	66,682	0	0	0	0	104,662	
Motor Vehicle Pool	<u>23,456</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,000</u>	<u>1,000</u>	<u>0</u>	<u>28,456</u>	
Total	<u>\$ 23,456</u>	<u>\$ 51,233</u>	<u>\$133,240</u>	<u>\$ 2,324</u>	<u>\$ 24,975</u>	<u>\$ 21,975</u>	<u>\$ 7,659</u>	<u>\$264,862</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.

**CITY OF JONESVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 7 - LONG-TERM DEBT**

The City 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.

North Parking Lot Bonds - During the year 2011-12, the City 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 City.

East Street Bonds – During the year 2007-08, the City 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 City issued bonds in the amount of \$300,000 for the reconstruction of Murphy Street between US-12 and the City limits.

Revenue Bonds - The City has a bond issue with GMAC Commercial Mortgage Corp. which funded a sewer project. This is a revenue bond, whereby revenue derived from the sewer system is used to pay the debt service.

Refunding Bonds - During the year 2005-06, the City completed construction on a new sewage treatment plant, funded partially by a \$4,065,000 loan from the USDA Rural Development Office. In March, 2014, the City issued \$3,485,000 in general obligations bonds to refund the USDA loan.

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Primary Government</b>				
<b><i>Governmental Activities</i></b>				
North Parking Lot Bonds	\$ 475,000	\$ 0	\$ (40,000)	\$ 435,000
East Street Bonds	480,000	0	(45,000)	435,000
Murphy Street Bonds	225,000	0	(30,000)	195,000
Compensated Absences	<u>89,083</u>	<u>1,929</u>	<u>0</u>	<u>91,012</u>
Total Governmental Activities	<u>\$ 1,269,083</u>	<u>\$ 1,929</u>	<u>\$ (115,000)</u>	<u>\$ 1,156,012</u>
<b><i>Business-type Activities</i></b>				
Revenue Bonds - Sewer Fund	\$ 100,000	\$ 0	\$ (25,000)	\$ 75,000
Refunding Bonds – Sewer Fund	3,485,000	0	(135,000)	3,350,000
Compensated Absences	<u>43,872</u>	<u>0</u>	<u>(2,380)</u>	<u>41,492</u>
Total Business-type Activities	<u>\$ 3,628,872</u>	<u>\$ 0</u>	<u>\$ (162,380)</u>	<u>\$ 3,466,492</u>
 Total Primary Government Long-Term Debt	 <u>\$ 4,897,955</u>	 <u>\$ 1,929</u>	 <u>\$ (277,380)</u>	 <u>\$ 4,622,504</u>

CITY OF JONESVILLE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**NOTE 7 - LONG-TERM DEBT (continued)**

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

	<u>Interest Rate(s)</u>	<u>Maturity Date</u>	<u>Current Portion</u>
North Parking Lot Bonds	2.9% - 4.0%	5/1/24	\$ 41,000
East Street Bonds	3.00% - 4.90%	5/1/23	45,000
Murphy Street Bonds	3.50% - 3.90%	11/1/20	30,000
Revenue Bonds - Sewer Fund	5.00%	1/1/18	25,000
Refunding Bonds – Sewer Fund	2.00% - 4.15%	1/1/38	<u>100,000</u>
			<u>\$ 241,000</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>
2016	\$ 116,000	\$ 42,524	\$ 125,000	\$ 129,351
2017	123,000	38,189	125,000	126,101
2018	125,000	33,535	130,000	122,226
2019	136,000	49,923	110,000	119,501
2020	138,000	23,117	110,000	117,302
2021-2025	427,000	39,162	600,000	534,005
2026-2030	0	0	720,000	409,056
2031-2035	0	0	880,000	251,289
2036-2038	<u>0</u>	<u>0</u>	<u>625,000</u>	<u>55,345</u>
Total	<u>\$ 1,065,000</u>	<u>\$ 226,450</u>	<u>\$ 3,425,000</u>	<u>\$ 1,864,176</u>

**NOTE 8 – COMPONENT UNIT CONTRIBUTIONS**

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

<u>LDFA:</u>		<u>DDA:</u>	
<u>General Fund</u>		<u>General Fund</u>	
Salaries and wages	\$ 24,349	Salaries and wages	\$ 24,349
Street light electricity	5,303	Purchases/improvements	63,000
Purchases/improvements	21,000	Parking Lot Maintenance	16,000
<u>Local Street Fund</u>		<u>Debt Service Fund</u>	
Road Improvements	139,611	Bond payments	57,011
TOTAL	<u>\$ 190,263</u>		<u>\$ 160,360</u>

**NOTE 9 - COMPENSATED ABSENCES**

Vested or accumulated vacation days and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. The entire compensated absence liability is reported on the government-wide financial statements. Employees of the City 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.

CITY OF JONESVILLE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2015

**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 2014 was 16.388 mills - 11.7057 mills allocated to General Fund, and 4.6823 mills allocated to Street Funds. The 2014 total state taxable value was approximately \$65,261,000 (\$50,529,000 ad valorem and \$14,732,000 industrial facilities tax). City 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 City Treasurer.

**NOTE 11 - SEGMENT INFORMATION**

The City 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 City 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 City is required to contribute 5 percent of covered payroll. If the employee makes a voluntary contribution of 5 percent, then the City contributes an additional 2 percent. The activity in the plan for 2014-15 is as follows:

Asset Value - July 1, 2014	\$ 1,985,486
Employer Contributions	38,936
Employee Contributions	37,958
Investment Gain (Loss)	38,653
Distributions	<u>(268,737)</u>
Asset Value - June 30, 2015	<u>\$ 1,832,296</u>

**NOTE 13 - RISK MANAGEMENT**

The City 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 City has purchased commercial insurance for each of these areas of risk and there have been no significant reduction in insurance coverages. Settled claims have not exceeded the amount of insurance coverage for the current or the three prior years.

**NOTE 14 - UNEMPLOYMENT TAXES**

The City 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.

CITY OF JONESVILLE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

**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	5,809	0	0	0	0
Prepaid Expenditures	24,414	0	0	0	0
Restricted:					
Streets	0	64,045	421,695	7,912	0

**NOTE 16 – DIVISION OF ASSETS WITH FAYETTE TOWNSHIP**

On August 5, 2014, the voters of the (formerly) Village of Jonesville, located entirely within the boundaries of Fayette Township, approved a City Charter which incorporated the Village as a Home-Rule City. Pursuant to MCL 117.14, the City of Jonesville and Fayette Township negotiated a division of assets by which \$526,899 in assets were transferred from the Township to the City (\$473,560 cash plus \$53,339 of cemetery land and equipment).

**NOTE 17 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 27, 2015, the date on which the financial statements were available to be issued.

CITY OF JONESVILLE  
SCHEDULE OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Final Budget</u>
<b>REVENUE</b>				
Property Taxes	\$ 475,910	\$ 475,910	\$ 483,434	\$ 7,524
Licenses and Permits	1,300	1,300	935	(365)
State Shared Revenue	213,538	213,538	211,410	(2,128)
Grant Funds	296,000	0	0	0
Charges and Fees	64,100	72,100	64,362	(7,738)
Recreation	38,000	38,000	35,142	(2,858)
Rents and Royalties	13,000	13,000	14,088	1,088
Cemetery Revenue	0	8,000	15,844	7,844
Contributions	8,353	8,353	5,353	(3,000)
Interest	500	500	1,236	736
Contributions from Component Units	156,676	156,676	154,001	(2,675)
Miscellaneous	700	10,000	11,713	1,713
Total Revenue	<u>\$1,268,077</u>	<u>\$ 997,377</u>	<u>\$ 997,518</u>	<u>\$ 141</u>
<b>EXPENDITURES</b>				
<b>General Government</b>				
City Council	\$ 25,450	\$ 29,450	\$ 22,822	\$ (6,628)
City Manager	95,030	98,480	98,454	(26)
Elections	2,000	7,000	5,732	(1,268)
General Office	204,137	204,957	193,215	(11,742)
Board of Review	0	1,850	272	(1,578)
Treasurer	2,400	2,400	1,087	(1,313)
Data Processing	15,125	11,125	10,613	(512)
Assessor	0	25,250	10,319	(14,931)
City Hall	12,067	12,067	12,007	(60)
Cemetery	0	41,000	40,937	(63)
Fringe Benefits	32,995	32,995	31,641	(1,354)
Insurance	14,500	14,500	10,408	(4,092)
<b>Public Safety</b>				
Police	341,926	298,481	298,440	(41)
Fire	118,296	91,851	86,770	(5,081)
<b>Economic &amp; Community Development</b>				
Planning & Zoning	5,634	7,414	4,156	(3,258)
<b>Public Works</b>				
Parking Lots	18,675	16,675	14,067	(2,608)
Sidewalks	5,200	5,200	386	(4,814)
Other	17,195	20,645	20,644	(1)
<b>Streets, Highways, and Drains</b>				
Street Lighting	36,000	36,000	32,063	(3,937)
<b>Sanitation</b>				
Landfill	5,899	5,999	5,975	(24)

CITY OF JONESVILLE  
SCHEDULE OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015  
(continued)

	<u>Budget Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under) <u>Final Budget</u>
Culture and Recreation				
Recreation	38,565	46,665	46,632	(33)
Parks	423,300	26,000	12,331	(13,669)
Rail/Trail	0	39,500	28,079	(11,421)
Capital Outlay	<u>0</u>	<u>54,810</u>	<u>93,240</u>	<u>38,430</u>
Total Expenditures	<u>\$1,414,394</u>	<u>\$1,130,314</u>	<u>\$1,080,290</u>	<u>\$ (50,024)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (146,317)</u>	<u>\$ (132,937)</u>	<u>\$ (82,772)</u>	<u>\$ 50,165</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	\$ 131,420	\$ 131,420	\$ 131,744	\$ 324
Operating Transfers Out	<u>0</u>	<u>(23,300)</u>	<u>(23,456)</u>	<u>(156)</u>
Total Other Financing Sources (Uses)	<u>\$ 131,420</u>	<u>\$ 108,120</u>	<u>\$ 108,288</u>	<u>\$ 168</u>
EXTRAORDINARY ITEM				
Transfer from Fayette Township	<u>\$ 0</u>	<u>\$ 473,560</u>	<u>\$ 521,102</u>	<u>\$ 47,542</u>
NET CHANGE IN FUND BALANCES	\$ (14,897)	\$ 448,743	\$ 546,618	\$ 97,875
FUND BALANCES - Beginning	<u>752,579</u>	<u>752,579</u>	<u>752,579</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 737,682</u>	<u>\$ 1,201,322</u>	<u>\$1,299,197</u>	<u>\$ 97,875</u>

The accompanying notes are an integral part of this statement.

CITY OF JONESVILLE  
SCHEDULE OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
MAJOR STREETS FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Final Budget</u>
<b>REVENUE</b>				
State Shared Revenue	\$ 139,000	\$ 141,000	\$ 148,395	\$ 7,395
Interest	15	15	12	(3)
Contributions from Component Units	0	0	0	0
Grants	0	0	0	0
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenue	<u>\$ 139,015</u>	<u>\$ 141,015</u>	<u>\$ 148,407</u>	<u>\$ 7,392</u>
<b>EXPENDITURES</b>				
Street Construction	\$ 0	\$ 0	\$ 0	\$ 0
Routine Maintenance	73,610	73,610	49,186	(24,424)
Traffic Control	4,265	6,265	5,437	(828)
Winter Maintenance	<u>21,410</u>	<u>21,410</u>	<u>18,404</u>	<u>(3,006)</u>
Total Expenditures	<u>\$ 99,285</u>	<u>\$ 101,285</u>	<u>\$ 73,027</u>	<u>\$ (28,258)</u>
<b>REVENUE OVER (UNDER) EXPENDITURES</b>	<u>\$ 39,730</u>	<u>\$ 39,730</u>	<u>\$ 75,380</u>	<u>\$ 35,650</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 12,000	\$ 12,000	\$ 0	\$ (12,000)
Transfers Out	<u>(51,233)</u>	<u>(51,233)</u>	<u>(51,233)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>\$ (39,233)</u>	<u>\$ (39,233)</u>	<u>\$ (51,233)</u>	<u>\$ (12,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	\$ 497	\$ 497	\$ 24,147	\$ 23,650
<b>FUND BALANCES - Beginning</b>	<u>39,898</u>	<u>39,898</u>	<u>39,898</u>	<u>0</u>
<b>FUND BALANCES - Ending</b>	<u>\$ 40,395</u>	<u>\$ 40,395</u>	<u>\$ 64,045</u>	<u>\$ 23,650</u>

The accompanying notes are an integral part of this statement.

CITY OF JONESVILLE  
SCHEDULE OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
LOCAL STREETS FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Final Budget</u>
REVENUE				
Property Taxes	\$ 183,241	\$ 183,241	\$ 187,516	\$ 4,275
State Shared Revenue	43,000	43,000	46,407	3,407
Contributions	2,140	2,140	2,141	1
Contributions from Component Units	0	140,000	139,611	(389)
Interest	200	200	591	391
Miscellaneous	<u>0</u>	<u>0</u>	<u>29</u>	<u>29</u>
Total Revenue	<u>\$ 228,581</u>	<u>\$ 368,581</u>	<u>\$ 376,295</u>	<u>\$ 7,714</u>
EXPENDITURES				
Street Construction	\$ 102,000	\$ 242,000	\$ 237,729	\$ (4,271)
Routine Maintenance	80,520	80,520	49,962	(30,558)
Traffic Control	3,473	3,473	1,946	(1,527)
Winter Maintenance	<u>16,790</u>	<u>16,790</u>	<u>14,129</u>	<u>(2,661)</u>
Total Expenditures	<u>\$ 202,783</u>	<u>\$ 342,783</u>	<u>\$ 303,766</u>	<u>\$ (39,017)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 25,798</u>	<u>\$ 25,798</u>	<u>\$ 72,529</u>	<u>\$ 46,731</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>\$(145,240)</u>	<u>\$(145,240)</u>	<u>\$(133,240)</u>	<u>\$ (12,000)</u>
NET CHANGE IN FUND BALANCES	<u>\$(119,442)</u>	<u>\$(119,442)</u>	<u>\$ (60,711)</u>	<u>\$ 58,731</u>
FUND BALANCES - Beginning	<u>482,406</u>	<u>482,406</u>	<u>482,406</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 362,964</u>	<u>\$ 362,964</u>	<u>\$ 421,695</u>	<u>\$ 58,731</u>

The accompanying notes are an integral part of this statement.

CITY OF JONESVILLE  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015

	<u>Debt Service Fund</u>	<u>Special Revenue State Highway Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 0	\$ 3,943	\$ 3,943
Due from Other Governmental Units	<u>0</u>	<u>4,697</u>	<u>4,697</u>
Total Assets	<u>\$ 0</u>	<u>\$ 8,640</u>	<u>\$ 8,640</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 0	\$ 0	\$ 0
Due to Other Funds	0	466	466
Salaries Payable	<u>0</u>	<u>262</u>	<u>262</u>
Total Liabilities	<u>\$ 0</u>	<u>\$ 728</u>	<u>\$ 728</u>
<b>FUND BALANCE</b>			
Nonspendable	\$ 0	\$ 0	\$ 0
Restricted	0	7,912	7,912
Committed	0	0	0
Assigned	0	0	0
Unassigned	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>\$ 0</u>	<u>\$ 7,912</u>	<u>\$ 7,912</u>
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 8,640</u>	<u>\$ 8,640</u>

The accompanying notes are an integral part of this statement.

CITY OF JONESVILLE  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015

	Debt Service <u>Fund</u>	State Highway <u>Fund</u>	<u>Total</u>
REVENUE			
State Highway Contract	\$ 0	\$ 23,453	\$ 23,453
Contribution from Component Units	57,011	0	57,011
Interest Income	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenue	<u>\$ 57,011</u>	<u>\$ 23,453</u>	<u>\$ 80,464</u>
EXPENDITURES			
Streets, Highways, Drains			
Routine Maintenance	\$ 0	\$ 8,136	\$ 8,136
Traffic Control	0	656	656
Winter Maintenance	0	9,447	9,447
Debt Service			
Principal	115,000	0	115,000
Interest	<u>46,673</u>	<u>0</u>	<u>46,673</u>
Total Expenditures	<u>\$ 161,673</u>	<u>\$ 18,239</u>	<u>\$ 179,912</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$(104,662)</u>	<u>\$ 5,214</u>	<u>\$ (99,448)</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	\$ 104,662	\$ 0	\$ 104,662
Operating Transfers Out	<u>0</u>	<u>(2,324)</u>	<u>(2,324)</u>
Total Other Financing Sources (Uses)	<u>\$ 104,662</u>	<u>\$ (2,324)</u>	<u>\$ 102,338</u>
NET CHANGES IN FUND BALANCES	\$ 0	\$ 2,890	\$ 2,890
FUND BALANCES - Beginning	<u>0</u>	<u>5,022</u>	<u>5,022</u>
FUND BALANCES - Ending	<u>\$ 0</u>	<u>\$ 7,912</u>	<u>\$ 7,912</u>

The accompanying notes are an integral part of this statement.

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

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

To the City Council  
City of Jonesville  
Jonesville, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jonesville as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Jonesville's basic financial statements and have issued our report thereon dated October 27, 2015.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City 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*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bailey, Hodshire & Company, P.C.*

Jonesville, Michigan

October 27, 2015