

# Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2016, 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 general accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Jonesville, as of June 30, 2016, 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 34 through 37 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 28, 2016, 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 28, 2016

City of Jonesville, Michigan  
Management's Discussion and Analysis (MD&A)  
For the year ended June 30, 2016

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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, 2016. 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 \$12,654,367 (net position) at the close of this fiscal year. Net position at the beginning of the fiscal year totaled \$12,456,963, showing an increase of \$197,404 during the current year.
- The City's governmental funds reported total ending fund balance of \$1,659,791 of which \$994,112 is unassigned and unrestricted, and available for spending at the City's discretion. This compares to the prior year ending fund balance of \$1,792,849 showing a decrease of \$133,058 during the current year.
- At the end of the current year, fund balance for the General Fund was \$1,025,748 or 104% of General Fund expenditures, net of capital outlay totaling \$509,995. This is a decrease of \$273,449 from last year's ending fund balance of \$1,299,197.

**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, 2016

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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 \$12,654,367 (net position) at the close of this fiscal year. Net position at the beginning of the fiscal year totaled \$12,456,963, showing an increase of \$197,404 over the prior year.

City of Jonesville, Michigan  
Management's Discussion and Analysis (MD&A)  
For the year ended June 30, 2016

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

NET POSITION

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2016	2015	2016	2015	2016
Current Assets	\$ 2,572,015	\$ 2,294,125	\$ 1,522,315	\$ 1,580,269	\$ 4,094,330	\$ 3,874,394
Non-current Assets	5,555,427	5,993,548	7,620,010	7,370,532	13,175,437	13,364,080
Total Assets	\$ 8,127,442	\$ 8,287,673	\$ 9,142,325	\$ 8,950,801	\$ 17,269,767	\$ 17,238,474
Current Liabilities	\$ 291,370	\$ 364,891	\$ 150,906	\$ 137,512	\$ 442,276	\$ 502,403
Non-current Liabilities	1,040,012	911,086	3,330,516	3,170,618	4,370,528	4,081,704
Total Liabilities	\$ 1,331,382	\$ 1,275,977	\$ 3,481,422	\$ 3,308,130	\$ 4,812,804	\$ 4,584,107
Net Position:						
Invested in Capital Assets, Net of Related Debt	\$ 4,483,247	\$ 5,038,090	\$ 4,205,986	\$ 4,131,009	\$ 8,689,233	\$ 9,169,099
Restricted	493,652	634,043	51,480	51,590	545,132	685,633
Unrestricted	1,819,161	1,339,563	1,403,437	1,460,072	3,222,598	2,799,635
Total Net Position	\$ 6,796,060	\$ 7,011,696	\$ 5,660,903	\$ 5,642,671	\$ 12,456,963	\$ 12,654,367

The City reported positive net position for governmental and business-type activities. Net position increased \$215,636 for governmental activities and decreased \$18,232 for business-type activities; therefore, the City's overall financial position improved during fiscal year 2016.

City of Jonesville, Michigan  
Management's Discussion and Analysis (MD&A)  
For the year ended June 30, 2016

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		Primary Government	
	2015	2016	2015	2016	2015	2016
Program Revenue						
Charges for Services	\$ 109,910	\$ 128,758	\$1,001,501	\$1,003,937	\$1,111,411	\$1,132,695
Operating Grants and Contributions	592,276	574,372	0	0	592,276	574,372
Capital Grants and Contributions	0	0	0	0	0	0
General Revenue						
Property Taxes	661,421	672,431	0	0	661,421	672,431
State Shared Revenue	211,410	207,536	0	0	211,410	207,536
Unrestricted Investment Income	1,839	6,398	1,286	4,447	3,125	10,845
Other	25,828	33,764	17,641	22,610	43,469	56,374
Transfer from Fayette Township	521,102	0	0	0	521,102	0
Total Revenue	<u>\$2,123,786</u>	<u>\$1,623,259</u>	<u>\$1,020,428</u>	<u>\$1,030,994</u>	<u>\$3,144,214</u>	<u>\$2,654,253</u>
Expenses						
General Government	\$ 459,344	\$ 510,287	\$ 0	\$ 0	\$ 459,344	\$ 510,287
Public Safety	441,695	433,589	0	0	441,695	433,589
Economic & Community Development	4,156	5,035	0	0	4,156	5,035
Public Works	72,893	75,755	0	0	72,893	75,755
Streets, Highways, Drains	305,582	243,360	0	0	305,582	243,360
Sanitation	5,975	4,308	0	0	5,975	4,308
Culture & Recreation	97,276	89,305	0	0	97,276	89,305
Interest on Long-Term Debt	45,981	41,801	0	0	45,981	41,801
Depreciation - Unallocated	39,645	52,133	0	0	39,645	52,133
Water Utility	0	0	298,404	253,923	298,404	253,923
Sewer Utility	0	0	706,149	747,353	706,149	747,353
Total Expenses	<u>\$1,472,547</u>	<u>\$1,455,573</u>	<u>\$1,004,553</u>	<u>\$1,001,276</u>	<u>\$2,477,100</u>	<u>\$2,456,849</u>
Excess (deficiency)	\$ 651,239	\$ 167,686	\$ 15,875	\$ 29,718	\$ 667,114	\$ 197,404
Transfers	46,950	47,950	(46,950)	(47,950)	0	0
CHANGE IN NET POSITION	<u>\$ 698,189</u>	<u>\$ 215,636</u>	<u>\$ (31,075)</u>	<u>\$ (18,232)</u>	<u>\$ 667,114</u>	<u>\$ 197,404</u>

*Governmental Activities* increased the City's net position by \$215,636. This represents a decrease from last year's change in net position. The one-time transfer from Fayette Township was the reason the change was higher last year.

Revenues from governmental activities totaled \$1,623,259. Property tax revenue represented the largest portion of those revenues (41.0%), operating grants and contributions was 35%, and state shared revenue was 13%.

The largest components of governmental activities' expenses were general government (35%), public safety (30.0%), and streets, highways, and drains (17%). 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 \$18,232. 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, 2016

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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, 2016, the City's governmental funds reported combined ending fund balances of \$1,659,791. Of this total, approximately 60% was unrestricted and unassigned, indicating availability for continuing City service requirements. Although a substantial amount is unrestricted, future plans include street repairs, 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 \$1,025,748, representing a decrease of \$273,449. 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 \$70,190 in fund balance. The Local Street Fund experienced an increase of \$69,865 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 \$5,642,671 at June 30, 2016, a decrease of \$18,232 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 \$887,187, an increase of \$39,734 from the previous fiscal year.

**Major Governmental Funds Budgeting and Operating Highlights**

*General Fund* - There were no differences between the original and final amended budget for General Fund revenues. The increase between the appropriations originally budgeted and the final appropriations budget was \$130,000 (\$1,527,143 vs. \$1,397,143). This change is a result of ownership of the Freedom Memorial being transferred to the City. Capital Outlay was \$509,995, which included the following: acquisition of the Freedom Memorial (\$130,000); Rail Trail construction (\$364,811); Fire Department turnout gear lockers (\$6,515), truck bay fans (\$2,660), and new entrance doors (\$3,500); and Police Department computer equipment (\$2,509).

City of Jonesville, Michigan  
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For the year ended June 30, 2016

**Capital Asset and Debt Administration**

Capital assets at year-end were as follows:

	Governmental Activities		Business-type Activities		Primary Government	
	2015	2016	2015	2016	2015	2016
Land	\$ 204,995	\$ 204,995	\$ 2,061	\$ 2,061	\$ 207,056	\$ 207,056
Land Improvements	117,443	247,443	0	0	117,443	247,443
Buildings and Improvements	882,882	889,042	0	0	882,882	889,042
Facilities and Mains	0	0	14,215,756	14,293,897	14,215,756	14,293,897
Furniture and Equipment	852,539	833,423	571,812	585,061	1,424,351	1,418,484
Vehicles	1,163,481	1,435,601	0	0	1,163,481	1,435,601
Infrastructure	5,877,550	6,242,362	0	0	5,877,550	6,242,362
Less: Acc. Depreciation	(3,543,463)	(3,859,318)	(7,169,619)	(7,510,487)	(10,713,082)	(11,369,805)
Total Capital Assets, Net Of Depreciation	<u>\$ 5,555,427</u>	<u>\$ 5,993,548</u>	<u>\$ 7,620,010</u>	<u>\$ 7,370,532</u>	<u>\$ 13,175,437</u>	<u>\$ 13,364,080</u>

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

	Governmental Activities		Business-type Activities		Primary Government	
	2015	2016	2015	2016	2015	2016
General Government	\$ 1,065,000	\$ 949,000	\$ 0	\$ 0	\$ 1,065,000	\$ 949,000
Revenue Bonds	0	0	3,425,000	3,250,000	3,425,000	3,250,000
Total Long-Term Debt	<u>\$ 1,065,000</u>	<u>\$ 949,000</u>	<u>\$ 3,425,000</u>	<u>\$ 3,250,000</u>	<u>\$ 4,490,000</u>	<u>\$ 4,199,000</u>

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

The City of Jonesville is beginning to experience modest increases in property values. This stabilization in revenues has assured that the City can maintain quality services. We are monitoring potential impacts resulting from personal property tax reform.

The City has enjoyed new growth, including the completion of a 44-unit downtown housing redevelopment in the former Kiddie Brush and Toy building. Several existing manufacturers have added new building area and/or employees. New downtown and industrial projects have been approved and are anticipated for construction in 2017.

Planning and investment in infrastructure remains a priority. A state grant will facilitate an evaluation of all sanitary sewer collection and treatment facilities to document condition and prioritize future needs. Design work is anticipated for planned upgrades to the Iron Removal Plant in the near future.

The City will continue efforts toward small business development. Increased efficiencies will be explored through public/private partnerships and, where advantageous, with other units of government.

**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, 2016**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 126,703	\$ 79,085	\$ 205,788	\$ 32,895
Investments	2,037,916	1,469,396	3,507,312	1,173,984
Accounts Receivable	2,803	21,281	24,084	1,665
Internal Balances	2,618	(2,618)	0	0
Due from Other Governmental Units	91,787	0	91,787	0
Inventory	5,821	2,102	7,923	0
Prepaid Expense	26,477	11,023	37,500	101
<b>Total Current Assets</b>	<b>\$ 2,294,125</b>	<b>\$ 1,580,269</b>	<b>\$ 3,874,394</b>	<b>\$ 1,208,645</b>
<b>Noncurrent Assets</b>				
Capital Assets - Not Depreciated	\$ 204,995	\$ 2,061	\$ 207,056	\$ 84,447
Other Capital Assets - Net of Depreciation	5,788,553	7,368,471	13,157,024	0
<b>Total Noncurrent Assets</b>	<b>\$ 5,993,548</b>	<b>\$ 7,370,532</b>	<b>\$ 13,364,080</b>	<b>\$ 84,447</b>
<b>Total Assets</b>	<b>\$ 8,287,673</b>	<b>\$ 8,950,801</b>	<b>\$ 17,238,474</b>	<b>\$ 1,293,092</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 210,191	\$ 32,789	\$ 242,980	\$ 5,456
Unearned Revenue	0	0	0	1,075
Accrued Payroll	25,242	4,323	29,565	0
Customer Deposits	0	400	400	0
Interest Payable	6,458	0	6,458	0
Current Portion of Long-Term Debt	123,000	100,000	223,000	0
<b>Total Current Liabilities</b>	<b>\$ 364,891</b>	<b>\$ 137,512</b>	<b>\$ 502,403</b>	<b>\$ 6,531</b>
<b>Noncurrent Liabilities</b>				
Bonds Payable (net of discount)	\$ 826,000	\$ 3,139,523	\$ 3,965,523	\$ 0
Compensated Absences	85,086	31,095	116,181	0
<b>Total Noncurrent Liabilities</b>	<b>\$ 911,086</b>	<b>\$ 3,170,618</b>	<b>\$ 4,081,704</b>	<b>\$ 0</b>
<b>Total Liabilities</b>	<b>\$ 1,275,977</b>	<b>\$ 3,308,130</b>	<b>\$ 4,584,107</b>	<b>\$ 6,531</b>
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	\$ 5,038,090	\$ 4,131,009	\$ 9,169,099	\$ 84,447
<b>Restricted for:</b>				
Streets	634,043	0	634,043	0
General Purpose - Sewer	0	16,360	16,360	0
Debt Service - Sewer	0	35,230	35,230	0
Unrestricted	1,339,563	1,460,072	2,799,635	1,202,114
<b>Total Net Position</b>	<b>\$ 7,011,696</b>	<b>\$ 5,642,671</b>	<b>\$ 12,654,367</b>	<b>\$ 1,286,561</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF JONESVILLE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
General Government	\$ 510,287	\$ 54,916	\$ 287,845	\$ 0	\$ (167,526)
Public Safety	433,589	53,327	0	0	(380,262)
Economic and Community Development	5,035	950	0	0	(4,085)
Public Works	75,755	0	0	0	(75,755)
Streets, Highways, and Drains	243,360	0	259,615	0	16,255
Sanitation	4,308	0	0	0	(4,308)
Culture and Recreation	89,305	19,565	26,912	0	(42,828)
Interest on Long-Term Debt	41,801	0	0	0	(41,801)
Depreciation - Unallocated <sup>1</sup>	52,133	0	0	0	(52,133)
<b>Total Governmental Activities</b>	<b>\$ 1,455,573</b>	<b>\$ 128,758</b>	<b>\$ 574,372</b>	<b>\$ 0</b>	<b>\$ (752,443)</b>
<b>Business-type Activities:</b>					
Water	\$ 253,923	\$ 305,788	\$ 0	\$ 0	\$ 51,865
Sewer	747,353	698,149	0	0	(49,204)
<b>Total Business-type Activities</b>	<b>\$ 1,001,276</b>	<b>\$ 1,003,937</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,661</b>
<b>Total Primary Government</b>	<b>\$ 2,456,849</b>	<b>\$ 1,132,695</b>	<b>\$ 574,372</b>	<b>\$ 0</b>	<b>\$ (749,782)</b>
<b>Component Units:</b>					
Downtown Development Authority	\$ 128,145	\$ 0	\$ 30,000	\$ 0	\$ (98,145)
Local Development Finance Authority	66,807	0	0	0	(66,807)
<b>Total Component Units</b>	<b>\$ 194,952</b>	<b>\$ 0</b>	<b>\$ 30,000</b>	<b>\$ 0</b>	<b>\$ (164,952)</b>
<b>Primary Government</b>					
		<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
<b>Change in Net Position:</b>					
Net (Expense) Revenue		\$ (752,443)	\$ 2,661	\$ (749,782)	\$ (164,952)
<b>General Revenue:</b>					
Property Taxes Levied for General Purposes		\$ 672,431	\$ 0	\$ 672,431	\$ 0
Property Taxes Captured		0	0	0	436,202
State Shared Revenue		207,536	0	207,536	0
Unrestricted Investment Income		6,398	4,447	10,845	3,489
Miscellaneous		33,764	22,610	56,374	28,260
<b>Total General Revenue</b>		<b>\$ 920,129</b>	<b>\$ 27,057</b>	<b>\$ 947,186</b>	<b>\$ 467,951</b>
<b>Excess (deficiency)</b>		<b>\$ 167,686</b>	<b>\$ 29,718</b>	<b>\$ 197,404</b>	<b>\$ 302,999</b>

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

The accompanying notes are an integral part of these financial statements.

CITY OF JONESVILLE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016  
(continued)

	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Units</u>
Excess (deficiency)	\$ 167,686	\$ 29,718	\$ 197,404	\$ 302,999
Transfers	47,950	(47,950)	0	0
Change in Net Position	\$ 215,636	\$ (18,232)	\$ 197,404	\$ 302,999
Net Position – Beginning	<u>6,796,060</u>	<u>5,660,903</u>	<u>12,456,963</u>	<u>983,562</u>
Net Position – Ending	<u>\$ 7,011,696</u>	<u>\$ 5,642,671</u>	<u>\$ 12,654,367</u>	<u>\$ 1,286,561</u>

The accompanying notes are an integral part of these financial statements.

CITY OF JONESVILLE  
BALANCE SHEET  
Governmental Funds  
June 30, 2016

	General	Major Streets	Local Streets	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 49,809	\$ 48,061	\$ 12,345	\$ 4,278	\$ 114,493
Investments	1,129,618	51,460	467,276	0	1,648,354
Accounts Receivable	2,803	0	0	0	2,803
Due from Other Funds	3,520	0	0	0	3,520
Due from Other Governmental Units	38,297	36,188	12,539	4,763	91,787
Inventory	5,821	0	0	0	5,821
Prepaid Expenditures	25,815	0	0	0	25,815
Total Assets	<u>\$ 1,255,683</u>	<u>\$ 135,709</u>	<u>\$ 492,160</u>	<u>\$ 9,041</u>	<u>\$ 1,892,593</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 205,998	\$ 1,149	\$ 129	\$ 0	\$ 207,276
Due to Other Funds	0	0	0	472	472
Salaries Payable	23,937	325	471	321	25,054
Total Liabilities	<u>\$ 229,935</u>	<u>\$ 1,474</u>	<u>\$ 600</u>	<u>\$ 793</u>	<u>\$ 232,802</u>
<b>FUND BALANCES</b>					
Nonspendable	\$ 31,636	\$ 0	\$ 0	\$ 0	\$ 31,636
Restricted	0	134,235	491,560	8,248	634,043
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Unassigned	994,112	0	0	0	994,112
Total Fund Balances	<u>\$ 1,025,748</u>	<u>\$ 134,235</u>	<u>\$ 491,560</u>	<u>\$ 8,248</u>	<u>\$ 1,659,791</u>
Total Liabilities and Fund Balances	<u>\$ 1,255,683</u>	<u>\$ 135,709</u>	<u>\$ 492,160</u>	<u>\$ 9,041</u>	<u>\$ 1,892,593</u>

The accompanying notes are an integral part of these financial statements.

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, 2106

Fund Balances - total governmental funds \$ 1,659,791

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 9,852,866

Deduct: Accumulated depreciation (3,859,318)

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 402,434

Deduct: Internal Service Fund liabilities (3,533)

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 (949,000)

Deduct: Accrued interest on bonds and notes payable (6,458)

Deduct: Compensated absences (85,086)

Net position of governmental activities \$ 7,011,696

The accompanying notes are an integral part of these financial statements.

**CITY OF JONESVILLE**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	General	Major Streets	Local Streets	Other Governmental Funds	Total Governmental Funds
<b>REVENUE</b>					
Property Taxes	\$ 701,363	\$ 0	\$ 0	\$ 0	\$ 701,363
Licenses and Permits	1,015	0	0	0	1,015
State Shared Revenue	207,536	172,354	60,972	0	440,862
Charges and Fees	59,838	0	0	0	59,838
State Highway Contract	0	0	0	22,690	22,690
Recreation	46,477	0	0	0	46,477
Rents and Royalties	14,257	0	0	0	14,257
Cemetery Revenue	19,408	0	0	0	19,408
Contributions	164,997	0	3,599	0	168,596
Grants	0	0	0	0	0
Interest	4,644	152	1,601	1	6,398
Contributions from Component Units	66,077	0	0	56,771	122,848
Miscellaneous	18,853	557	96	0	19,506
Total Revenue	<u>\$ 1,304,465</u>	<u>\$ 173,063</u>	<u>\$ 66,268</u>	<u>\$ 79,462</u>	<u>\$ 1,623,258</u>
<b>EXPENDITURES</b>					
General Government	\$ 473,834	\$ 0	\$ 0	\$ 0	\$ 473,834
Public Safety	376,950	0	0	0	376,950
Economic & Community Development	5,035	0	0	0	5,035
Public Works	32,759	0	0	0	32,759
Streets, Highways, and Drains	30,192	52,750	57,469	20,106	160,517
Sanitation	4,308	0	0	0	4,308
Culture and Recreation	63,654	0	0	0	63,654
Capital Outlay	509,995	0	0	0	509,995
Debt Service					0
Principal	0	0	0	116,000	116,000
Interest	0	0	0	42,523	42,523
Total Expenditures	<u>\$ 1,496,727</u>	<u>\$ 52,750</u>	<u>\$ 57,469</u>	<u>\$ 178,629</u>	<u>\$ 1,785,575</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (192,262)</u>	<u>\$ 120,313</u>	<u>\$ 8,799</u>	<u>\$ (99,167)</u>	<u>\$ (162,317)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF JONESVILLE  
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016  
(continued)

	General	Major Streets	Local Streets	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	\$ 132,443	\$ 0	\$ 190,635	\$ 101,752	\$ 424,830
Operating Transfers Out	(213,630)	(50,123)	(129,569)	(2,249)	(395,571)
Total Other Financing Sources (Uses)	\$ (81,187)	\$ (50,123)	\$ 61,066	\$ 99,503	\$ 29,259
NET CHANGE IN FUND BALANCES	\$ (273,449)	\$ 70,190	\$ 69,865	\$ 336	\$ (133,058)
FUND BALANCES – Beginning	1,299,197	64,045	421,695	7,912	1,792,849
FUND BALANCES – Ending	<u>\$ 1,025,748</u>	<u>\$ 134,235</u>	<u>\$ 491,560</u>	<u>\$ 8,248</u>	<u>\$ 1,659,791</u>

The accompanying notes are an integral part of these financial statements.

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, 2016

Net changes in fund balances - total governmental funds \$ (133,058)

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	509,995
Deduct: Depreciation expense	(386,576)

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. 102,626

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	116,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add: Decrease in interest payable on long-term liabilities	722
Add: Decrease in accrual for compensated absences	5,926

Change in net position of governmental activities	<span style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 215,635</span>
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The accompanying notes are an integral part of these financial statements.

**CITY OF JONESVILLE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2016**

	Enterprise Funds		Total Enterprise Funds	Internal Service Funds
	Water	Sewer		
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	\$ 26,503	\$ 36,222	\$ 62,725	\$ 12,210
Investments	479,199	954,967	1,434,166	389,562
Accounts Receivable	7,920	13,361	21,281	0
Due from Other Funds	0	1,706	1,706	0
Inventory	1,286	816	2,102	0
Prepaid Expense	178	10,845	11,023	662
<b>Total Current Assets</b>	<b>\$ 515,086</b>	<b>\$ 1,017,917</b>	<b>\$ 1,533,003</b>	<b>\$ 402,434</b>
<b>Restricted Assets</b>				
General Purpose	\$ 0	\$ 16,360	\$ 16,360	\$ 0
Bond Reserve	0	35,230	35,230	0
<b>Total Restricted Assets</b>	<b>\$ 0</b>	<b>\$ 51,590</b>	<b>\$ 51,590</b>	<b>\$ 0</b>
<b>Noncurrent Assets</b>				
Capital Assets - Not Depreciated	\$ 2,061	\$ 0	\$ 2,061	\$ 0
Other Capital Assets, Net of Accumulated Depreciation	1,369,292	5,999,179	7,368,471	488,286
<b>Total Noncurrent Assets</b>	<b>\$ 1,371,353</b>	<b>\$ 5,999,179</b>	<b>\$ 7,370,532</b>	<b>\$ 488,286</b>
<b>Total Assets</b>	<b>\$ 1,886,439</b>	<b>\$ 7,068,686</b>	<b>\$ 8,955,125</b>	<b>\$ 890,720</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 6,887	\$ 25,902	\$ 32,789	\$ 2,915
Accrued Payroll	1,445	2,878	4,323	188
Due to Other Funds	3,003	1,321	4,324	430
Customer Deposits	200	200	400	0
<b>Total Current Liabilities</b>	<b>\$ 11,535</b>	<b>\$ 30,301</b>	<b>\$ 41,836</b>	<b>\$ 3,533</b>
<b>Liabilities Payable from Restricted Assets</b>				
Accrued Interest Payable	\$ 0	\$ 0	\$ 0	\$ 0
Revenue Bonds - Current	0	100,000	100,000	0
<b>Total Liabilities Payable from Restricted Assets</b>	<b>\$ 0</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 0</b>
<b>Noncurrent Liabilities</b>				
General Obligation Bonds	\$ 0	\$ 3,150,000	\$ 3,150,000	\$ 0
Bond Discount	0	(10,477)	(10,477)	0
Compensated Absences	18,165	12,930	31,095	0
<b>Total Noncurrent Liabilities</b>	<b>\$ 18,165</b>	<b>\$ 3,152,453</b>	<b>\$ 3,170,618</b>	<b>\$ 0</b>
<b>Total Liabilities</b>	<b>\$ 29,700</b>	<b>\$ 3,282,754</b>	<b>\$ 3,312,454</b>	<b>\$ 3,533</b>
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	\$ 1,371,353	\$ 2,759,656	\$ 4,131,009	\$ 488,286
Restricted by Bond Covenants	0	51,590	51,590	0
Unrestricted	485,386	974,686	1,460,072	398,901
<b>Total Net Position</b>	<b>\$ 1,856,739</b>	<b>\$ 3,785,932</b>	<b>\$ 5,642,671</b>	<b>\$ 887,187</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF JONESVILLE**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Enterprise Funds		Total Enterprise Funds	Internal Service Funds
	Water	Sewer		
<b>OPERATING REVENUE</b>				
Sales	\$ 301,338	\$ 698,149	\$ 999,487	\$ 0
Equipment Rental	4,450	0	4,450	88,128
Other	11,960	10,650	22,610	3,607
Total Operating Revenue	<u>\$ 317,748</u>	<u>\$ 708,799</u>	<u>\$ 1,026,547</u>	<u>\$ 91,735</u>
<b>OPERATING EXPENSES</b>				
Sewage Disposal	\$ 0	\$ 350,653	\$ 350,653	\$ 0
Water Plant Operation	134,802	0	134,802	0
Water Distribution Expenses	46,972	0	46,972	0
Depreciation	72,149	268,719	340,868	62,892
Motor Vehicle Expense	0	0	0	60,738
Total Operating Expenses	<u>\$ 253,923</u>	<u>\$ 619,372</u>	<u>\$ 873,295</u>	<u>\$ 123,630</u>
<b>OPERATING INCOME (LOSS)</b>	<u>\$ 63,825</u>	<u>\$ 89,427</u>	<u>\$ 153,252</u>	<u>\$ (31,895)</u>
<b>NON-OPERATING REVENUE (EXPENSES)</b>				
Interest Income	\$ 1,242	\$ 3,205	\$ 4,447	\$ 1,433
Interest Expense	0	(127,981)	(127,981)	0
Total Non-operating Revenue (Expense)	<u>\$ 1,242</u>	<u>\$ (124,776)</u>	<u>\$ (123,534)</u>	<u>\$ 1,433</u>
<b>Income (Loss) Before Contributions and Transfers</b>	<u>\$ 65,067</u>	<u>\$ (35,349)</u>	<u>\$ 29,718</u>	<u>\$ (30,462)</u>
<b>CONTRIBUTIONS AND TRANSFERS</b>				
Contributions from Other Governments	\$ 0	\$ 0	\$ 0	\$ 51,505
Transfers From Other Funds	0	0	0	28,995
Transfers To Other Funds	(21,975)	(25,975)	(47,950)	(10,304)
Total Contributions and Transfers	<u>\$ (21,975)</u>	<u>\$ (25,975)</u>	<u>\$ (47,950)</u>	<u>\$ 70,196</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 43,092</u>	<u>\$ (61,324)</u>	<u>\$ (18,232)</u>	<u>\$ 39,734</u>
<b>NET POSITION – Beginning</b>	<u>1,813,647</u>	<u>3,847,256</u>	<u>5,660,903</u>	<u>847,453</u>
<b>NET POSITION – Ending</b>	<u><u>\$ 1,856,739</u></u>	<u><u>\$ 3,785,932</u></u>	<u><u>\$ 5,642,671</u></u>	<u><u>\$ 887,187</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF JONESVILLE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	Water	Sewer	Total Enterprise Funds	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 306,316	\$ 702,512	\$ 1,008,828	\$ 0
Cash received from interfund services provided	0	0	0	88,128
Cash payments to suppliers for goods and services	(115,698)	(211,776)	(327,474)	(56,106)
Cash payments to employees and professional contractors for services	(64,307)	(129,470)	(193,777)	(19,172)
Other operating receipts	11,960	10,650	22,610	3,607
Net cash provided (used) by operating activities	<u>\$ 138,271</u>	<u>\$ 371,916</u>	<u>\$ 510,187</u>	<u>\$ 16,457</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Contributions from other governments	\$ 0	\$ 0	\$ 0	\$ 51,505
Transfers from other funds	0	0	0	28,995
Transfers to other funds	(21,975)	(25,975)	(47,950)	0
Net cash provided (used) by non-capital financing activities	<u>\$ (21,975)</u>	<u>\$ (25,975)</u>	<u>\$ (47,950)</u>	<u>\$ 80,500</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	\$ (10,766)	\$ (80,622)	\$ (91,388)	\$ (314,701)
Principal paid on bonds and loans	0	(175,000)	(175,000)	0
Interest paid on bonds and loans	0	(127,482)	(127,482)	0
Net cash provided (used) by capital and related financing activities	<u>\$ (10,766)</u>	<u>\$ (383,104)</u>	<u>\$ (393,870)</u>	<u>\$ (314,701)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	\$ 1,242	\$ 3,205	\$ 4,447	\$ 1,433
Net cash provided (used) by investment activities	<u>\$ 1,242</u>	<u>\$ 3,205</u>	<u>\$ 4,447</u>	<u>\$ 1,433</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>\$ 106,772</b>	<b>\$ (33,958)</b>	<b>\$ 72,814</b>	<b>\$ (216,311)</b>
<b>CASH AND CASH EQUIVALENTS - Beginning</b>	<b>398,930</b>	<b>1,076,737</b>	<b>1,475,667</b>	<b>618,083</b>
<b>CASH AND CASH EQUIVALENTS - Ending</b>	<b><u>\$ 505,702</u></b>	<b><u>\$ 1,042,779</u></b>	<b><u>\$ 1,548,481</u></b>	<b><u>\$ 401,772</u></b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 63,825	\$ 89,427	\$ 153,252	\$ (42,199)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	72,149	268,719	340,868	62,892
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	528	6,069	6,597	0
(Increase) decrease in due from other funds	0	(1,706)	(1,706)	0
(Increase) decrease in inventories	1,081	4,090	5,171	0
(Increase) decrease in prepaid expense	5	500	505	66
Increase (decrease) in accounts payable	(1,887)	14,382	12,495	(4,642)
Increase (decrease) in wages and benefits payable	(168)	(521)	(689)	(90)
Increase (decrease) in due to other funds	3,003	1,288	4,291	430
Increase (decrease) in customer deposits	(100)	(100)	(200)	0
Increase (decrease) in compensated absences	(165)	(10,232)	(10,397)	0
Net cash provided (used) by operating activities	<u>\$ 138,271</u>	<u>\$ 371,916</u>	<u>\$ 510,187</u>	<u>\$ 16,457</u>

The accompanying notes are an integral part of these financial statements.

CITY OF JONESVILLE  
STATEMENT OF ASSETS AND LIABILITIES  
AGENCY FUND  
JUNE 30, 2016

ASSETS	
Cash	<u>\$ 6,716</u>
LIABILITIES	
Payroll deductions withheld	<u>\$ 6,716</u>

The accompanying notes are an integral part of these financial statements.

CITY OF JONESVILLE  
 COMBINING STATEMENT OF NET POSITION  
 COMPONENT UNITS  
 JUNE 30, 2016

	<u>DDA</u>	<u>LDFA</u>	<u>Total Component Units</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 9,578	\$ 23,317	\$ 32,895
Investments	259,520	914,464	1,173,984
Accounts Receivable	1,665	0	1,665
Prepaid Expense	101	0	101
Total Current Assets	<u>\$ 270,864</u>	<u>\$ 937,781</u>	<u>\$ 1,208,645</u>
<b>Noncurrent Assets</b>			
<b>Capital Assets</b>			
Land	\$ 0	\$ 84,447	\$ 84,447
Total Noncurrent Assets	<u>\$ 0</u>	<u>\$ 84,447</u>	<u>\$ 84,447</u>
Total Assets	<u>\$ 270,864</u>	<u>\$ 1,022,228</u>	<u>\$ 1,293,092</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 1,660	\$ 3,796	\$ 5,456
Unearned Revenue	0	1,075	1,075
Total Liabilities	<u>\$ 1,660</u>	<u>\$ 4,871</u>	<u>\$ 6,531</u>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	\$ 0	\$ 84,447	\$ 84,447
Unrestricted	269,204	932,910	1,202,114
Total Net Position	<u>\$ 269,204</u>	<u>\$ 1,017,357</u>	<u>\$ 1,286,561</u>

The accompanying notes are an integral part of these financial statements.

CITY OF JONESVILLE  
 COMBINING STATEMENT OF ACTIVITIES  
 COMPONENT UNITS  
 FOR THE YEAR ENDED JUNE 30, 2016

	DDA	LDFA	Total Component Units
<b>EXPENSES</b>			
Downtown Development	\$ 34,950	\$ 0	\$ 34,950
Industrial Development	0	37,154	37,154
Contributions to City activities	93,195	29,653	122,848
Total Expenses	<u>\$ 128,145</u>	<u>\$ 66,807</u>	<u>\$ 194,952</u>
<b>PROGRAM REVENUE</b>			
Charges for Services	\$ 0	\$ 0	\$ 0
Operating Grants and Contributions	30,000	0	30,000
Capital Grants and Contributions	0	0	0
Total Program Revenue	<u>\$ 30,000</u>	<u>\$ 0</u>	<u>\$ 30,000</u>
<b>NET (EXPENSE) REVENUE</b>	<u>\$ (98,145)</u>	<u>\$ (66,807)</u>	<u>\$ (164,952)</u>
<b>GENERAL REVENUE</b>			
Property Taxes Captured	\$ 112,306	\$ 323,896	\$ 436,202
Land Rent	0	14,907	14,907
Investment Income	821	2,668	3,489
Other Income	0	13,353	13,353
Total General Revenue	<u>\$ 113,127</u>	<u>\$ 354,824</u>	<u>\$ 467,951</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 14,982</u>	<u>\$ 288,017</u>	<u>\$ 302,999</u>
<b>NET POSITION – Beginning</b>	<u>254,222</u>	<u>729,340</u>	<u>983,562</u>
<b>NET POSITION - Ending</b>	<u><u>\$ 269,204</u></u>	<u><u>\$ 1,017,357</u></u>	<u><u>\$ 1,286,561</u></u>

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

The accompanying notes are an integral part of these financial statements.

CITY OF JONESVILLE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**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, 2016

**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, 2016

**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, 2016

**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, 2016

**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.

**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, 2016

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

Deposits

Following are the components of the City’s bank deposits at June 30, 2016:

	Primary Government	Component Units
Cash on hand	\$ 450	\$ 0
Checking and savings accounts	195,695	32,895
Certificates of deposit	16,360	0
	\$ 212,505	\$ 32,895

Investments

Following are the components of the City’s investments at June 30, 2016:

MBIA CLASS Investment Pool	\$ 3,507,313	\$ 1,173,985
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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, 2016, 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, 2016, the carrying amount of the City’s deposits was \$244,950 and the bank balance was \$256,776. 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, 2016, 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, 2016

**NOTE 4 – RECEIVABLES (continued)**

A summary of the principal items of receivables follows:

	General Fund	Major Street	Local Street	Other Governmental Funds	Proprietary Funds	Total
State Revenue Sharing	\$ 34,679	\$ 36,188	\$ 11,314	\$ 0	\$ 0	\$ 82,181
Property Taxes	3,618	0	1,225	0	0	4,843
State Highway Contract	0	0	0	4,763	0	4,763
Utility customers	0	0	0	0	20,025	20,025
Other Receivables	2,803	0	0	0	1,256	4,059
<b>Total</b>	<b>\$ 41,100</b>	<b>\$ 36,188</b>	<b>\$ 12,539</b>	<b>\$ 4,763</b>	<b>\$ 21,281</b>	<b>\$ 115,871</b>

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>PRIMARY GOVERNMENT</b>				
<u>Governmental Activities</u>				
Capital assets not being depreciated				
Land	\$ 204,995	\$ 0	\$ 0	\$ 204,995
Capital assets being depreciated				
Land Improvements	\$ 117,443	\$ 130,000	\$ 0	\$ 247,443
Buildings & Improvements	882,882	6,160	0	889,042
Furniture & Equipment	852,539	10,034	(29,150)	833,423
Vehicles	1,163,481	314,930	(42,810)	1,435,601
Infrastructure	5,877,550	364,812	0	6,242,362
Less accumulated depreciation	(3,543,463)	(386,576)	70,721	(3,859,318)
Total capital assets being depreciated, net	\$ 5,350,432	\$ 439,360	\$ (1,239)	\$ 5,788,553
Total capital assets, net	\$ 5,555,427	\$ 439,360	\$ (1,239)	\$ 5,993,548
<u>Business-Type Activities</u>				
Capital assets not being depreciated				
Land	\$ 2,061	\$ 0	\$ 0	2,061
Capital assets being depreciated				
Facilities & Mains	\$ 14,215,756	\$ 78,141	\$ 0	\$ 14,293,897
Machinery & Equipment	571,812	13,249	0	585,061
Less accumulated depreciation	(7,169,619)	(340,868)	0	(7,510,487)
Total capital assets being depreciated, net	\$ 7,617,949	\$ (249,478)	\$ 0	\$ 7,368,471
Total capital assets, net	\$ 7,620,010	\$ (249,478)	\$ 0	\$ 7,370,532
<b>PRIMARY GOVERNMENT</b>				
Total capital assets, net	\$ 13,175,437	\$ 189,882	\$ (1,239)	\$ 13,364,080
<b>COMPONENT UNITS</b>				
Capital assets not being depreciated				
Land	\$ 97,544	\$ 0	\$ (13,097)	\$ 84,447

CITY OF JONESVILLE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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

Governmental Activities:		Business-Type Activities:	
General Government	\$ 42,379	Water	\$ 72,149
Public Safety	56,639	Sewer	268,719
Public Improvements	42,996	Total	<u>\$ 340,868</u>
Streets, Highways and Drains	166,778		
Culture and Recreation	25,651		
Unallocated	52,133		
Total	<u>\$ 386,576</u>		

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

The composition of interfund balances at June 30, 2016, is as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General Fund	\$ 472	State Highway Fund	\$ 472
Sewer Fund	1,706	Water Fund	1,706
General Fund	1,321	Sewer Fund	1,321
General Fund	1,297	Water Fund	1,297
	<u>\$ 4,796</u>		<u>\$ 4,796</u>

Interfund transfers during the year consisted of the following:

	Transfer From							Total
	General Fund	Major Streets	Local Streets	State Highway	Sewer	Water	Motor Vehicle Pool	
Transfer to:								
General Fund	\$ 0	\$ 13,253	\$ 64,687	\$ 2,249	\$ 20,975	\$ 20,975	\$ 10,304	\$132,443
Local Streets	\$190,635	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$190,635
Debt Service	0	36,870	64,882	0	0	0	0	101,752
Motor Vehicle Pool	22,995	0	0	0	5,000	1,000	0	28,995
Total	<u>\$213,630</u>	<u>\$ 50,123</u>	<u>\$129,569</u>	<u>\$ 2,249</u>	<u>\$ 25,975</u>	<u>\$ 21,975</u>	<u>\$ 10,304</u>	<u>\$453,825</u>

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

**NOTE 7 - LONG-TERM DEBT**

The 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.

CITY OF JONESVILLE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

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. This debt was paid off during this fiscal year.

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, 2016:

	Balance 6/30/2015	Increases	Decreases	Balance 6/30/2016
<b>Primary Government</b>				
<i>Governmental Activities</i>				
North Parking Lot Bonds	\$ 435,000	\$ 0	\$ (41,000)	\$ 394,000
East Street Bonds	435,000	0	(45,000)	390,000
Murphy Street Bonds	195,000	0	(30,000)	165,000
Compensated Absences	91,012	0	(5,926)	85,086
Total Governmental Activities	<u>\$ 1,156,012</u>	<u>\$ 0</u>	<u>\$ (121,926)</u>	<u>\$ 1,034,086</u>
<i>Business-type Activities</i>				
Revenue Bonds - Sewer Fund	\$ 75,000	\$ 0	\$ (75,000)	\$ 0
Refunding Bonds – Sewer Fund	3,350,000	0	(100,000)	3,250,000
Compensated Absences	41,492	0	(10,397)	31,095
Total Business-type Activities	<u>\$ 3,466,492</u>	<u>\$ 0</u>	<u>\$ (185,397)</u>	<u>\$ 3,281,095</u>
Total Primary Government Long-Term Debt	<u>\$ 4,622,504</u>	<u>\$ 0</u>	<u>\$ (307,323)</u>	<u>\$ 4,315,181</u>

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

	Interest Rate(s)	Maturity Date	Current Portion
North Parking Lot Bonds	2.9% - 4.0%	5/1/2024	\$ 43,000
East Street Bonds	3.00% - 4.90%	5/1/2023	50,000
Murphy Street Bonds	3.50% - 3.90%	11/1/2020	30,000
Refunding Bonds – Sewer Fund	2.00% - 4.15%	1/1/2038	100,000
			<u>\$ 223,000</u>

CITY OF JONESVILLE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

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

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

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 123,000	\$ 38,189	\$ 100,000	\$ 123,601
2018	125,000	33,535	105,000	121,601
2019	136,000	49,923	110,000	119,501
2020	138,000	23,117	110,000	117,302
2021	145,000	17,494	115,000	114,551
2022-2026	282,000	21,668	615,000	512,306
2027-2031	0	0	750,000	380,255
2032-2036	0	0	920,000	214,582
2037-2038	0	0	425,000	28,001
Total	<u>\$ 949,000</u>	<u>\$ 183,926</u>	<u>\$ 3,250,000</u>	<u>\$ 1,731,700</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:

LDFA:		DDA:	
<u>General Fund</u>		<u>General Fund</u>	
Salaries and wages	\$ 24,349	Salaries and wages	\$ 24,349
Street light electricity	5,304	Parking Lot Maintenance	12,075
		<u>Debt Service Fund</u>	
		Bond payments	56,771
TOTAL	<u>\$ 29,653</u>	TOTAL	<u>\$ 93,195</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.

**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 2015 was 16.388 mills - 4.6823 of which was transferred to the Local Streets Fund by vote of the City Council. The 2015 total state taxable value was approximately \$63,344,000 (\$50,303,775 ad valorem and \$13,040,225 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.

CITY OF JONESVILLE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2016

**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% of covered payroll. If the employee makes a voluntary contribution of 5%, then the City contributes an additional 2%. Employees hired after January 1, 2010, must contribute at least 5% to be eligible for the 5% employer match.

The activity in the plan for 2015-16 is as follows:

Asset Value - June 30, 2015	\$ 1,832,296
Employer Contributions	39,763
Employee Contributions	40,755
Investment Gain (Loss)	(21,232)
Distributions	<u>(51,642)</u>
Asset Value - June 30, 2016	<u><u>\$ 1,839,940</u></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.

**NOTE 15 – FUND BALANCE CONSTRAINTS**

Fund balances have been constrained for the following purposes:

	General Fund	Major Streets	Local Streets	State Highway	Debt Service
Nonspendable:					
Inventory	\$ 5,821	\$ 0	\$ 0	\$ 0	\$ 0
Prepaid Expenditures	25,815	0	0	0	0
Restricted:					
Streets	0	134,235	491,530	8,248	0

**NOTE 16 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 28, 2016, 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, 2016

	Budget Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>REVENUE</b>				
Property Taxes	\$ 682,606	\$ 682,606	\$ 701,363	\$ 18,757
Licenses and Permits	1,300	1,300	1,015	(285)
State Shared Revenue	218,941	218,941	207,536	(11,405)
Grant Funds	296,000	296,000	0	(296,000)
Charges and Fees	65,245	65,245	59,838	(5,407)
Recreation	42,375	42,375	46,477	4,102
Rents and Royalties	13,000	13,000	14,257	1,257
Cemetery Revenue	10,800	10,800	19,408	8,608
Contributions	8,353	8,353	164,997	156,644
Interest	1,200	1,200	4,644	3,444
Contributions from Component Units	67,777	67,777	66,077	(1,700)
Miscellaneous	0	0	18,853	18,853
Total Revenue	<u>\$ 1,407,597</u>	<u>\$ 1,407,597</u>	<u>\$ 1,304,465</u>	<u>\$ (103,132)</u>
<b>EXPENDITURES</b>				
<b>General Government</b>				
City Council	\$ 25,100	\$ 22,500	\$ 21,575	\$ (925)
City Manager	102,200	101,200	100,397	(803)
Elections	7,000	1,825	1,808	(17)
General Office	200,515	182,565	182,030	(535)
Board of Review	1,000	1,000	587	(413)
Treasurer	2,400	2,450	2,425	(25)
Data Processing	11,025	12,225	12,224	(1)
Assessor	25,500	22,100	21,989	(111)
City Hall	12,017	11,617	11,611	(6)
Cemetery	50,100	66,200	66,150	(50)
Freedom Memorial	0	800	648	(152)
Fringe Benefits	33,435	41,710	41,688	(22)
Insurance	13,000	13,000	10,286	(2,714)
Promotions	0	425	416	(9)

CITY OF JONESVILLE  
SCHEDULE OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016  
(continued)

	Budget Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Public Safety				
Police	299,081	299,081	298,704	(377)
Fire	92,697	86,147	78,246	(7,901)
Economic & Community Development				
Planning & Zoning	12,684	5,684	5,035	(649)
Public Works				
Parking Lots	13,775	13,775	12,044	(1,731)
Sidewalks	4,780	1,780	224	(1,556)
Other	17,595	20,495	20,491	(4)
Streets, Highways, and Drains				
Street Lighting	36,000	36,000	30,192	(5,808)
Sanitation				
Landfill	5,999	5,999	4,308	(1,691)
Culture and Recreation				
Recreation	40,965	46,815	46,798	(17)
Parks	15,175	15,175	11,379	(3,796)
Rail/Trail	5,600	5,600	5,477	(123)
Capital Outlay	369,500	510,975	509,995	(980)
Total Expenditures	<u>\$ 1,397,143</u>	<u>\$ 1,527,143</u>	<u>\$ 1,496,727</u>	<u>\$ (30,416)</u>
REVENUE OVER (UNDER)				
EXPENDITURES	<u>\$ 10,454</u>	<u>\$ (119,546)</u>	<u>\$ (192,262)</u>	<u>\$ (72,716)</u>
OTHER FINANCING				
SOURCES (USES)				
Operating Transfers In	\$ 141,964	\$ 141,964	\$ 132,443	\$ (9,521)
Operating Transfers Out	(219,860)	(219,860)	(213,630)	6,230
Total Other				
Financing Sources (Uses)	<u>\$ (77,896)</u>	<u>\$ (77,896)</u>	<u>\$ (81,187)</u>	<u>\$ (3,291)</u>
NET CHANGE IN FUND BALANCES	\$ (67,442)	\$ (197,442)	\$ (273,449)	\$ (76,007)
FUND BALANCES - Beginning	1,299,197	1,299,197	1,299,197	0
FUND BALANCES - Ending	<u><u>\$ 1,231,755</u></u>	<u><u>\$ 1,101,755</u></u>	<u><u>\$ 1,025,748</u></u>	<u><u>\$ (76,007)</u></u>

CITY OF JONESVILLE  
SCHEDULE OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
MAJOR STREETS FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>REVENUE</b>				
State Shared Revenue	\$ 146,000	\$ 146,000	\$ 172,354	\$ 26,354
Interest	10	10	152	142
Contributions from Component Units	0	0	0	0
Grants	0	0	0	0
Miscellaneous	0	0	557	557
Total Revenue	<u>\$ 146,010</u>	<u>\$ 146,010</u>	<u>\$ 173,063</u>	<u>\$ 27,053</u>
<b>EXPENDITURES</b>				
Street Construction	\$ 0	\$ 0	\$ 0	\$ 0
Routine Maintenance	71,395	71,395	36,232	(35,163)
Traffic Control	3,080	3,080	2,258	(822)
Winter Maintenance	21,410	21,410	14,260	(7,150)
Total Expenditures	<u>\$ 95,885</u>	<u>\$ 95,885</u>	<u>\$ 52,750</u>	<u>\$ (43,135)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 50,125</u>	<u>\$ 50,125</u>	<u>\$ 120,313</u>	<u>\$ 70,188</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0
Transfers Out	(50,123)	(50,123)	(50,123)	0
Total Other Financing Sources (Uses)	<u>\$ (50,123)</u>	<u>\$ (50,123)</u>	<u>\$ (50,123)</u>	<u>\$ 0</u>
NET CHANGE IN FUND BALANCES	\$ 2	\$ 2	\$ 70,190	\$ 70,188
FUND BALANCES - Beginning	64,045	64,045	64,045	0
FUND BALANCES - Ending	<u>\$ 64,047</u>	<u>\$ 64,047</u>	<u>\$ 134,235</u>	<u>\$ 70,188</u>

CITY OF JONESVILLE  
SCHEDULE OF REVENUE, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
LOCAL STREETS FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
<b>REVENUE</b>				
State Shared Revenue	\$ 46,900	\$ 46,900	\$ 60,972	\$ 14,072
Contributions	2,141	2,141	3,599	1,458
Contributions From Component Units	0	0	0	0
Interest	500	500	1,601	1,101
Miscellaneous	0	0	96	96
Total Revenue	<u>\$ 49,541</u>	<u>\$ 49,541</u>	<u>\$ 66,268</u>	<u>\$ 16,727</u>
<b>EXPENDITURES</b>				
Street Construction	\$ 0	\$ 0	\$ 0	\$ 0
Routine Maintenance	75,620	75,620	43,569	(32,051)
Traffic Control	2,864	2,864	1,797	(1,067)
Winter Maintenance	17,855	17,855	12,103	(5,752)
Total Expenditures	<u>\$ 96,339</u>	<u>\$ 96,339</u>	<u>\$ 57,469</u>	<u>\$ (38,870)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (46,798)</u>	<u>\$ (46,798)</u>	<u>\$ 8,799</u>	<u>\$ 55,597</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 183,854	\$ 183,854	\$ 190,635	\$ 6,781
Transfers Out	(129,569)	(129,569)	(129,569)	0
Total Other Financing Sources (Uses)	<u>\$ 54,285</u>	<u>\$ 54,285</u>	<u>\$ 61,066</u>	<u>\$ 6,781</u>
NET CHANGE IN FUND BALANCES	\$ 7,487	\$ 7,487	\$ 69,865	\$ 62,378
FUND BALANCES - Beginning	421,695	421,695	421,695	0
FUND BALANCES - Ending	<u><u>\$ 429,182</u></u>	<u><u>\$ 429,182</u></u>	<u><u>\$ 491,560</u></u>	<u><u>\$ 62,378</u></u>

CITY OF JONESVILLE  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2016

	Debt Service Fund	Special Revenue State Highway Fund	Total
<b>ASSETS</b>			
Cash	\$ 0	\$ 4,278	\$ 4,278
Due from Other Governmental Units	0	4,763	4,763
Total Assets	<u>\$ 0</u>	<u>\$ 9,041</u>	<u>\$ 9,041</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 0	\$ 0	\$ 0
Due to Other Funds	0	472	472
Salaries Payable	0	321	321
Total Liabilities	<u>\$ 0</u>	<u>\$ 793</u>	<u>\$ 793</u>
<b>FUND BALANCE</b>			
Nonspendable	\$ 0	\$ 0	\$ 0
Restricted	0	8,248	8,248
Committed	0	0	0
Assigned	0	0	0
Unassigned	0	0	0
Total Fund Balances	<u>\$ 0</u>	<u>\$ 8,248</u>	<u>\$ 8,248</u>
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 9,041</u>	<u>\$ 9,041</u>

CITY OF JONESVILLE  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	Debt Service Fund	State Highway Fund	Total
<b>REVENUE</b>			
State Highway Contract	\$ 0	\$ 22,690	\$ 22,690
Contribution from Component Units	56,771	0	56,771
Interest Income	0	1	1
Total Revenue	<u>\$ 56,771</u>	<u>\$ 22,691</u>	<u>\$ 79,462</u>
<b>EXPENDITURES</b>			
Streets, Highways, Drains			
Routine Maintenance	\$ 0	\$ 10,239	\$ 10,239
Traffic Control	0	835	835
Winter Maintenance	0	9,032	9,032
Debt Service			
Principal	116,000	0	116,000
Interest	42,523	0	42,523
Total Expenditures	<u>\$ 158,523</u>	<u>\$ 20,106</u>	<u>\$ 178,629</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>			
	<u>\$ (101,752)</u>	<u>\$ 2,585</u>	<u>\$ (99,167)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating Transfers In	\$ 101,752	\$ 0	\$ 101,752
Operating Transfers Out	0	(2,249)	(2,249)
Total Other Financing Sources (Uses)	<u>\$ 101,752</u>	<u>\$ (2,249)</u>	<u>\$ 99,503</u>
<b>NET CHANGES IN FUND BALANCES</b>			
	\$ 0	\$ 336	\$ 336
<b>FUND BALANCES - Beginning</b>			
	0	7,912	7,912
<b>FUND BALANCES - Ending</b>			
	<u>\$ 0</u>	<u>\$ 8,248</u>	<u>\$ 8,248</u>

Bailey, Hodshire  
& Company, P.C.  
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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, 2016, 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 28, 2016.

**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 28, 2016