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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, 2021, 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, 2021, 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.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 18 to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, during the year. Our opinions are not modified with respect to this matter.

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 December 8, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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
December 8, 2021

City of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2021

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, 2021. 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 \$14,051,974 (net position) at the close of this fiscal year. Net position at the beginning of the fiscal year totaled \$13,783,328, showing an increase of \$268,646 during the current year.
- The City's governmental funds reported total ending fund balance of \$2,904,500 of which \$1,785,703 is unassigned and unrestricted, and available for spending at the City's discretion. This compares to the prior year ending fund balance of \$2,674,210 showing an increase of \$230,290 during the current year.
- At the end of the current year, fund balance for the General Fund was \$1,814,830 or 158% of General Fund expenditures. This is an increase of \$136,896 from last year's ending fund balance of \$1,677,934.

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 report shows 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, 2021

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.

The *Fiduciary Fund* (Current Tax Collection Fund) is reported in the fiduciary fund financial statements, but is 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 \$14,051,974 (net position) at the close of this fiscal year. Net position at the beginning of the fiscal year totaled \$13,783,328, showing an increase of \$268,646 over the prior year.

City of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2021

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

NET POSITION

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2021	2020	2021	2020	2021
Current Assets	\$ 3,113,919	\$ 3,512,384	\$ 2,480,941	\$ 2,637,779	\$ 5,594,860	\$ 6,150,163
Non-current Assets	5,468,657	5,353,084	8,821,445	8,415,287	14,290,102	13,768,371
Total Assets	\$ 8,582,576	\$ 8,865,468	\$ 11,302,386	\$ 11,053,066	\$ 19,884,962	\$ 19,918,534
Current Liabilities	\$ 201,277	\$ 314,515	\$ 666,878	\$ 196,259	\$ 868,155	\$ 510,774
Non-current Liabilities	349,178	237,040	4,884,301	5,118,746	5,233,479	5,355,786
Total Liabilities	\$ 550,455	\$ 551,555	\$ 5,551,179	\$ 5,315,005	\$ 6,101,634	\$ 5,866,560
Net Position:						
Net Investment in						
Capital Assets	\$ 5,038,627	\$ 5,181,060	\$ 3,800,027	\$ 3,147,721	\$ 8,838,654	\$ 8,328,781
Restricted	996,276	1,089,670	22,490	44,969	1,018,766	1,134,639
Unrestricted	1,997,218	2,043,183	1,928,690	2,545,371	3,925,908	4,588,554
Total Net Position	\$ 8,032,121	\$ 8,313,913	\$ 5,751,207	\$ 5,738,061	\$ 13,783,328	\$ 14,051,974

The City reported positive net position for governmental and business-type activities. Net position increased \$281,792 for governmental activities and decreased \$13,146 for business-type activities; therefore, the City's overall financial position improved during fiscal year 2021. The decrease in net position for business-type activities is due to a major Water improvement project, which was completed in this fiscal year.

City of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2021

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	
	2020	2021	2020	2021	2020	2021
Program Revenue						
Charges for Services	\$ 133,809	\$ 179,136	\$ 1,107,922	\$ 1,100,899	\$ 1,241,731	\$ 1,280,035
Operating Grants and Contributions	494,744	594,852	25,000	25,000	519,744	619,852
Capital Grants and Contributions	0	0	0	0	0	0
General Revenue						
Property Taxes	722,580	740,753	0	0	722,580	740,753
State Shared Revenue	225,612	260,476	0	0	225,612	260,476
Investment Income	42,996	3,148	35,751	2,422	78,747	5,570
Other	28,026	28,158	34,013	66,724	62,039	94,882
Total Revenue	<u>\$ 1,647,767</u>	<u>\$ 1,806,523</u>	<u>\$ 1,202,686</u>	<u>\$ 1,195,045</u>	<u>\$ 2,850,453</u>	<u>\$ 3,001,568</u>
Expenses						
General Government	\$ 520,572	\$ 559,789	\$ 0	\$ 0	\$ 520,572	\$ 559,789
Public Safety	387,570	427,241	0	0	387,570	427,241
Economic & Community Development	7,435	6,223	0	0	7,435	6,223
Public Works	93,529	85,640	0	0	93,529	85,640
Streets, Highways, Drains	358,365	402,781	0	0	358,365	402,781
Sanitation	203	12,520	0	0	203	12,520
Culture & Recreation	48,357	47,303	0	0	48,357	47,303
Interest on Long-Term Debt	22,181	16,488	0	0	22,181	16,488
Depreciation - Unallocated	62,208	30,030	0	0	62,208	30,030
Water Utility	0	0	429,122	421,841	429,122	421,841
Sewer Utility	0	0	744,199	723,066	744,199	723,066
Total Expenses	<u>\$ 1,500,420</u>	<u>\$ 1,588,015</u>	<u>\$ 1,173,321</u>	<u>\$ 1,144,907</u>	<u>\$ 2,673,741</u>	<u>\$ 2,732,922</u>
Excess (deficiency)	\$ 147,347	\$ 218,508	\$ 29,365	\$ 50,138	\$ 176,712	\$ 268,646
Transfers	61,128	63,284	(61,128)	(63,284)	0	0
CHANGE IN NET POSITION	<u>\$ 208,475</u>	<u>\$ 281,792</u>	<u>\$ (31,763)</u>	<u>\$ (13,146)</u>	<u>\$ 176,712</u>	<u>\$ 268,646</u>

Governmental Activities increased the City's net position by \$281,792. This represents an increase from last year's change in net position.

Revenues from governmental activities totaled \$1,806,523. Property tax revenue represented the largest portion of those revenues (41.0%), operating grants and contributions was 32.9%, and state shared revenue was 14.4%.

The largest components of governmental activities' expenses were general government (35.2%), public safety (26.9%), and streets, highways, and drains (25.4%). 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 \$13,146. 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.

City of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2021

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, 2021, the City's governmental funds reported combined ending fund balances of \$2,904,500. Of this total, approximately 61.5% was unrestricted and unassigned, indicating availability for continuing City service requirements. Although a substantial amount is unrestricted, future plans include street repairs, park and cemetery improvements, 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 \$1,814,830, representing an increase of \$136,896. 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 \$101,947 in fund balance. The Local Street Fund experienced a decrease of \$11,063 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 \$5,738,061 at June 30, 2021, a decrease of \$13,146 from the previous fiscal year. The Motor Vehicle Pool's net position at the end of this fiscal year was \$843,428, an increase of \$8,941 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 \$191,640 (\$1,421,921 vs. \$1,230,281). The increase between the appropriations originally budgeted and the final appropriations budget was \$133,640 (\$1,266,831 vs. \$1,133,191). There were minor increases in City Manager, Elections, General Office, Assessor, Data Processing, City Hall, Cemetery, Fire Department, Landfill, Fringe Benefits, Insurance, Public Works, Parks, and Rail/Trail. Capital Outlay was \$141,522, which included the following: Refurbish the DPW Salt Pad (\$3,216), New entrance doors at City Hall and the Fire Department (\$1,850 each), New BS&A/Cemetery Software Server (\$4,544), Cemetery electric work (\$1,324), Downtown Traffic Signal Replacement (\$106,858), Police Department Equipment (\$2,399), Surveillance Cameras (\$10,079), Fire Department Equipment (\$4,249), and a new generator at the Radio Tower (\$5,153).

City of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2021

Capital Asset and Debt Administration

Capital assets at year-end were as follows:

	Governmental Activities		Business-type Activities		Primary Government	
	2020	2021	2020	2021	2020	2021
Land	\$ 204,995	\$ 204,995	\$ 2,061	\$ 2,061	\$ 207,056	\$ 207,056
Construction in Progress	\$ 0	\$ 0	\$ 0	\$ 0	0	0
Land Improvements	183,383	186,599	0	0	183,383	186,599
Buildings and Improvements	963,312	967,012	0	0	963,312	967,012
Facilities and Mains	0	0	16,804,352	16,821,267	16,804,352	16,821,267
Furniture and Equipment	967,603	996,169	1,029,761	1,050,525	1,997,364	2,046,694
Vehicles	1,386,745	1,436,022	0	0	1,386,745	1,436,022
Infrastructure	6,878,279	7,068,223	0	0	6,878,279	7,068,223
Less: Acc. Depreciation	(5,115,660)	(5,505,936)	(9,014,729)	(9,458,567)	(14,130,389)	(14,964,503)
Total Capital Assets, Net Of Depreciation	<u>\$ 5,468,657</u>	<u>\$ 5,353,084</u>	<u>\$ 8,821,445</u>	<u>\$ 8,415,286</u>	<u>\$ 14,290,102</u>	<u>\$ 13,768,370</u>

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

	Governmental Activities		Business-type Activities		Primary Government	
	2020	2021	2020	2021	2020	2021
General Government	\$ 427,000	\$ 282,000	\$ 0	\$ 0	\$ 427,000	\$ 282,000
Revenue Bonds	0	0	2,185,039	2,551,528	\$ 2,185,039	2,551,528
General Obligation Bonds	0	0	2,825,000	2,710,000	2,825,000	2,710,000
Total Long-Term Debt	<u>\$ 427,000</u>	<u>\$ 282,000</u>	<u>\$ 5,010,039</u>	<u>\$ 5,261,528</u>	<u>\$ 5,437,039</u>	<u>\$ 5,543,528</u>

Factors Bearing on the City's Future

The City of Jonesville continues to experience modest increases in property values. Aggressive sale prices are driving increased property values that is expected to continue for the near term. This stabilization in revenues has assured that the City can maintain quality services. We continue to monitor potential impacts resulting from personal property tax reform.

The City looks forward to future growth with potential redevelopment. Redevelopment of the former Klein Tool building has been identified as a priority.

Planning and investment in infrastructure also remains a priority. Street improvement projects continue to be budgeted. Engineering is underway for future improvements to Maumee and West Streets, the Downtown Streetscape, and the South Parking Lot.

The City will continue efforts toward small business development. Increased efficiencies will be explored through public/private partnerships and, when advantageous, with other units of government. The City has recently improved efficiencies in the Fire Department through automatic aid agreements and joint grant applications with the Cities of Hillsdale and Litchfield.

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 St, Jonesville, MI 49250 (temporary location: 116 W. Chicago St, Jonesville, MI 49250).

CITY OF JONESVILLE
STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 112,417	\$ 91,456	\$ 203,873	\$ 16,534
Investments	3,250,563	2,513,246	5,763,809	2,476,028
Accounts Receivable	58,401	16,593	74,994	0
Internal Balances	25	(25)	0	0
Due from Other Governmental Units	60,869	0	60,869	0
Inventory	3,666	7,568	11,234	0
Prepaid Expense	26,443	8,916	35,359	126
Total Current Assets	\$ 3,512,384	\$ 2,637,754	\$ 6,150,138	\$ 2,492,688
Noncurrent Assets				
Capital Assets - Not Depreciated	\$ 204,995	\$ 2,061	\$ 207,056	\$ 97,544
Other Capital Assets - Net of Depreciation	5,148,089	8,413,226	13,561,315	0
Total Noncurrent Assets	\$ 5,353,084	\$ 8,415,287	\$ 13,768,371	\$ 97,544
Total Assets	\$ 8,865,468	\$ 11,053,041	\$ 19,918,509	\$ 2,590,232
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 156,056	\$ 20,589	\$ 176,645	\$ 918
Internal Balances	0	0	0	0
Accrued Payroll	44,435	8,424	52,859	1,083
Customer Deposits	0	200	200	0
Interest Payable	2,024	14,021	16,045	0
Unearned Revenue	0	0	0	0
Current Portion of Long-Term Debt	112,000	153,000	265,000	0
Total Current Liabilities	\$ 314,515	\$ 196,234	\$ 510,749	\$ 2,001
Noncurrent Liabilities				
Bonds Payable (net of discount)	\$ 170,000	\$ 5,100,545	\$ 5,270,545	\$ 0
Compensated Absences	67,040	18,201	85,241	0
Total Noncurrent Liabilities	\$ 237,040	\$ 5,118,746	\$ 5,355,786	\$ 0
Total Liabilities	\$ 551,555	\$ 5,314,980	\$ 5,866,535	\$ 2,001
NET POSITION				
Net Investment in Capital Assets	\$ 5,181,060	\$ 3,147,721	\$ 8,328,781	\$ 97,544
Restricted for:				
Streets	1,089,670	0	1,089,670	0
Bond Covenants	0	44,969	44,969	0
Unrestricted	2,043,183	2,545,371	4,588,554	2,490,687
Total Net Position	\$ 8,313,913	\$ 5,738,061	\$ 14,051,974	\$ 2,588,231

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

CITY OF JONESVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General	Major Streets	Local Streets	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 67,357	\$ 17,791	\$ 15,897	\$ 10,682	\$ 111,727
Investments	1,752,671	461,919	610,826	0	2,825,416
Accounts Receivable	17,466	0	1,178	0	18,644
Due from Other Funds	645	0	3,282	0	3,927
Due from Other Governmental Units	42,171	39,757	12,427	6,271	100,626
Inventory	3,666	0	0	0	3,666
Prepaid Expenditures	25,461	0	0	0	25,461
Total Assets	<u>\$ 1,909,437</u>	<u>\$ 519,467</u>	<u>\$ 643,610</u>	<u>\$ 16,953</u>	<u>\$ 3,089,467</u>
LIABILITIES					
Accounts Payable	\$ 50,600	\$ 18,255	\$ 68,664	\$ 0	\$ 137,519
Due to Other Funds	3,282	1	0	609	3,892
Salaries Payable	40,725	1,408	1,181	242	43,556
Total Liabilities	<u>\$ 94,607</u>	<u>\$ 19,664</u>	<u>\$ 69,845</u>	<u>\$ 851</u>	<u>\$ 184,967</u>
FUND BALANCES					
Nonspendable	\$ 29,127	\$ 0	\$ 0	\$ 0	\$ 29,127
Restricted	0	499,803	573,765	16,102	1,089,670
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Unassigned	1,785,703	0	0	0	1,785,703
Total Fund Balances	<u>\$ 1,814,830</u>	<u>\$ 499,803</u>	<u>\$ 573,765</u>	<u>\$ 16,102</u>	<u>\$ 2,904,500</u>
Total Liabilities and Fund Balances	<u>\$ 1,909,437</u>	<u>\$ 519,467</u>	<u>\$ 643,610</u>	<u>\$ 16,953</u>	<u>\$ 3,089,467</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, 2021

Fund Balances - total governmental funds	\$ 2,904,500
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	10,859,020
Deduct: Accumulated depreciation	(5,505,936)
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	426,809
Deduct: Internal Service Fund liabilities	(19,416)
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	(282,000)
Deduct: Accrued interest on bonds and notes payable	(2,024)
Deduct: Compensated absences	(67,040)
Net position of governmental activities	\$ 8,313,913

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, 2021

	General	Major Streets	Local Streets	Other Governmental Funds	Total Governmental Funds
REVENUE					
Property Taxes	\$ 769,065	\$ 0	\$ 0	\$ 0	\$ 769,065
Licenses and Permits	1,902	0	0	0	1,902
State Shared Revenue	260,476	250,932	78,430	0	589,838
Grants	39,816	0	0	0	39,816
Charges and Fees	114,933	0	0	0	114,933
State Highway Contract	0	0	0	24,865	24,865
Recreation	0	0	0	0	0
Rents and Royalties	24,999	0	0	0	24,999
Cemetery Revenue	33,989	0	0	0	33,989
Contributions	4,306	0	0	0	4,306
Interest	2,125	373	649	1	3,148
Contributions from Component Units	137,507	0	0	58,172	195,679
Miscellaneous	3,159	0	824	0	3,983
Total Revenue	<u>\$ 1,392,277</u>	<u>\$ 251,305</u>	<u>\$ 79,903</u>	<u>\$ 83,038</u>	<u>\$ 1,806,523</u>
EXPENDITURES					
General Government	\$ 538,804	\$ 0	\$ 0	\$ 0	\$ 538,804
Public Safety	358,759	0	0	0	358,759
Economic & Community Development	6,223	0	0	0	6,223
Public Works	37,321	0	0	0	37,321
Streets, Highways, and Drains	32,115	101,468	170,345	19,943	323,871
Sanitation	12,520	0	0	0	12,520
Culture and Recreation	24,491	0	0	0	24,491
Capital Outlay	141,522	0	0	0	141,522
Debt Service					
Principal	0	0	0	145,000	145,000
Interest	0	0	0	17,494	17,494
Total Expenditures	<u>\$ 1,151,755</u>	<u>\$ 101,468</u>	<u>\$ 170,345</u>	<u>\$ 182,437</u>	<u>\$ 1,606,005</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 240,522</u>	<u>\$ 149,837</u>	<u>\$ (90,442)</u>	<u>\$ (99,399)</u>	<u>\$ 200,518</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, 2021
(continued)

	General	Major Streets	Local Streets	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	\$ 143,209	\$ 0	\$ 210,567	\$ 104,322	\$ 458,098
Operating Transfers Out	(246,835)	(47,890)	(131,188)	(2,413)	(428,326)
Total Other Financing Sources (Uses)	\$ (103,626)	\$ (47,890)	\$ 79,379	\$ 101,909	\$ 29,772
NET CHANGE IN FUND BALANCES	\$ 136,896	\$ 101,947	\$ (11,063)	\$ 2,510	\$ 230,290
FUND BALANCES – Beginning	1,677,934	397,856	584,828	13,592	2,674,210
FUND BALANCES – Ending	\$ 1,814,830	\$ 499,803	\$ 573,765	\$ 16,102	\$ 2,904,500

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, 2021

Net changes in fund balances - total governmental funds	\$ 230,290
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	223,283
Deduct: Depreciation expense	(390,276)
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.	
	72,351
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	145,000
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	1,006
Add: Decrease in accrual for compensated absences	138
Change in net position of governmental activities	\$ 281,792

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

CITY OF JONESVILLE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Enterprise Funds		Total Enterprise Funds	Internal Service Funds
	Water	Sewer		
ASSETS				
Current Assets				
Cash	\$ 33,945	\$ 57,511	\$ 91,456	\$ 680
Investments	835,804	1,677,442	2,513,246	425,147
Accounts Receivable	4,551	12,042	16,593	0
Due from Other Funds	0	0	0	0
Inventory	2,793	4,776	7,569	0
Prepaid Expense	214	8,702	8,916	982
Total Current Assets	\$ 877,307	\$ 1,760,473	\$ 2,637,780	\$ 426,809
Noncurrent Assets				
Capital Assets - Not Depreciated	\$ 2,061	\$ 0	\$ 2,061	\$ 0
Other Capital Assets, Net of Accumulated Depreciation	3,602,721	4,810,504	8,413,225	436,035
Total Noncurrent Assets	\$ 3,604,782	\$ 4,810,504	\$ 8,415,286	\$ 436,035
Total Assets	\$ 4,482,089	\$ 6,570,977	\$ 11,053,066	\$ 862,844
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 6,738	\$ 13,851	\$ 20,589	\$ 18,537
Accrued Payroll	3,758	4,666	8,424	879
Due to Other Funds	25	0	25	0
Customer Deposits	100	100	200	0
Total Current Liabilities	\$ 10,621	\$ 18,617	\$ 29,238	\$ 19,416
Liabilities Payable from Restricted Assets				
Accrued Interest Payable	\$ 14,021	\$ 0	\$ 14,021	\$ 0
Bonds Payable - Current	38,000	115,000	153,000	0
Total Liabilities Payable from Restricted Assets	\$ 52,021	\$ 115,000	\$ 167,021	\$ 0
Noncurrent Liabilities				
Bonds Payable	\$ 2,513,528	\$ 2,595,000	\$ 5,108,528	\$ 0
Bond Discount	0	(7,983)	(7,983)	0
Compensated Absences	0	18,201	18,201	0
Total Noncurrent Liabilities	\$ 2,513,528	\$ 2,605,218	\$ 5,118,746	\$ 0
Total Liabilities	\$ 2,576,170	\$ 2,738,835	\$ 5,315,005	\$ 19,416
NET POSITION				
Net Investment in Capital Assets	\$ 1,039,234	\$ 2,108,487	\$ 3,147,721	\$ 436,035
Restricted by Bond Covenants	44,969	0	44,969	0
Unrestricted	821,716	1,723,655	2,545,371	407,393
Total Net Position	\$ 1,905,919	\$ 3,832,142	\$ 5,738,061	\$ 843,428

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, 2021

	Enterprise Funds		Total Enterprise Funds	Internal Service Funds
	Water	Sewer		
OPERATING REVENUE				
Sales	\$ 342,308	\$ 744,090	\$ 1,086,398	\$ 0
Equipment Rental	4,450	10,051	14,501	89,227
Other	51,499	15,225	66,724	0
Total Operating Revenue	\$ 398,257	\$ 769,366	\$ 1,167,623	\$ 89,227
OPERATING EXPENSES				
Sewage Disposal	\$ 0	\$ 330,555	\$ 330,555	\$ 0
Water Plant Operation	103,089	0	103,089	0
Water Distribution Expenses	74,786	0	74,786	0
Depreciation	165,127	278,711	443,838	63,410
Motor Vehicle Expense	0	0	0	65,497
Total Operating Expenses	\$ 343,002	\$ 609,266	\$ 952,268	\$ 128,907
OPERATING INCOME (LOSS)	\$ 55,255	\$ 160,100	\$ 215,355	\$ (39,680)
NON-OPERATING REVENUE (EXPENSES)				
Interest Income	\$ 835	\$ 1,587	\$ 2,422	\$ 377
Interest Expense	(78,839)	(113,800)	(192,639)	0
Total Non-operating Revenue (Expense)	\$ (78,004)	\$ (112,213)	\$ (190,217)	\$ 377
Income (Loss) Before Contributions and Transfers	\$ (22,749)	\$ 47,887	\$ 25,138	\$ (39,303)
CONTRIBUTIONS AND TRANSFERS				
Contributions from Other Governments	\$ 0	\$ 0	\$ 0	\$ 14,732
Contributions from Component Units	25,000	0	25,000	0
Transfers From Other Funds	0	8,578	8,578	44,268
Transfers To Other Funds	(38,220)	(33,642)	(71,862)	(10,756)
Total Contributions and Transfers	\$ (13,220)	\$ (25,064)	\$ (38,284)	\$ 48,244
CHANGE IN NET POSITION	\$ (35,969)	\$ 22,823	\$ (13,146)	\$ 8,941
NET POSITION – Beginning	1,941,888	3,809,319	5,751,207	834,487
NET POSITION – Ending	\$ 1,905,919	\$ 3,832,142	\$ 5,738,061	\$ 843,428

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, 2021

	Water	Sewer	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 349,727	\$ 756,150	\$ 1,105,877	\$ 0
Cash received from interfund services provided	0	0	0	89,248
Cash payments to suppliers for goods and services	(167,724)	(189,244)	(356,968)	(22,977)
Cash payments to employees and professional contractors for services	(74,137)	(141,966)	(216,103)	(24,379)
Other operating receipts	51,499	15,225	66,724	0
Net cash provided (used) by operating activities	<u>\$ 159,365</u>	<u>\$ 440,165</u>	<u>\$ 599,530</u>	<u>\$ 41,892</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Contributions from other governments	\$ 0	\$ 0	\$ 0	\$ 14,732
Contributions from component units	25,000	0	25,000	0
Transfers from other funds	0	8,578	8,578	44,268
Transfers to other funds	(38,220)	(33,642)	(71,862)	(10,756)
Net cash provided (used) by non-capital financing activities	<u>\$ (13,220)</u>	<u>\$ (25,064)</u>	<u>\$ (38,284)</u>	<u>\$ 48,244</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	\$ (444,630)	\$ (21,178)	\$ (465,808)	\$ (51,420)
Revenue bonds issued	543,961	0	543,961	0
Principal paid on bonds and loans	(177,472)	(115,000)	(292,472)	0
Interest paid on bonds and loans	(76,198)	(113,302)	(189,500)	0
Net cash provided (used) by capital and related financing activities	<u>\$ (154,339)</u>	<u>\$ (249,480)</u>	<u>\$ (403,819)</u>	<u>\$ (51,420)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	\$ 835	\$ 1,587	\$ 2,422	\$ 377
Net cash provided (used) by investment activities	<u>\$ 835</u>	<u>\$ 1,587</u>	<u>\$ 2,422</u>	<u>\$ 377</u>
NET INCREASE (DECREASE) IN CASH	<u>\$ (7,359)</u>	<u>\$ 167,208</u>	<u>\$ 159,849</u>	<u>\$ 39,093</u>
CASH AND CASH EQUIVALENTS - Beginning	<u>877,108</u>	<u>1,567,745</u>	<u>2,444,853</u>	<u>386,734</u>
CASH AND CASH EQUIVALENTS - Ending	<u><u>\$ 869,749</u></u>	<u><u>\$ 1,734,953</u></u>	<u><u>\$ 2,604,702</u></u>	<u><u>\$ 425,827</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 55,255	\$ 160,100	\$ 215,355	\$ (39,680)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	165,127	278,711	443,838	63,410
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	2,969	2,009	4,978	21
(Increase) decrease in due from other funds	0	0	0	0
(Increase) decrease in inventories	944	(1,878)	(934)	0
(Increase) decrease in prepaid expense	(13)	414	401	16
Increase (decrease) in accounts payable	(42,722)	775	(41,947)	17,697
Increase (decrease) in wages and benefits payable	(2,939)	(1,071)	(4,010)	428
Increase (decrease) in due to other funds	4	(1,413)	(1,409)	0
Increase (decrease) in customer deposits	(100)	(100)	(200)	0
Increase (decrease) in compensated absences	(19,160)	2,618	(16,542)	0
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 159,365</u></u>	<u><u>\$ 440,165</u></u>	<u><u>\$ 599,530</u></u>	<u><u>\$ 41,892</u></u>

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

CITY OF JONESVILLE
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021

	Custodial Fund
	Current Tax Collection
ASSETS	
Cash	\$ 10
LIABILITIES	
Due to General Fund	\$ 10
NET POSITION	\$ 0

CITY OF JONESVILLE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	Custodial Fund
	Current Tax Collection
ADDITIONS	
Collection of taxes for other governments	\$ 1,899,737
DEDUCTIONS	
Payment of taxes collected for other governments	1,899,737
Net change in fiduciary net position	\$ 0
NET POSITION - Beginning	0
NET POSITION - Ending	\$ 0

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

CITY OF JONESVILLE
 COMBINING STATEMENT OF NET POSITION
 COMPONENT UNITS
 JUNE 30, 2021

	<u>DDA</u>	<u>L DFA</u>	<u>Total Component Units</u>
ASSETS			
Current Assets			
Cash	\$ 2,473	\$ 14,061	\$ 16,534
Investments	121,093	2,354,935	2,476,028
Prepaid Expense	126	0	126
Total Current Assets	<u>\$ 123,692</u>	<u>\$ 2,368,996</u>	<u>\$ 2,492,688</u>
Noncurrent Assets			
Capital Assets			
Land	\$ 0	\$ 97,544	\$ 97,544
Total Noncurrent Assets	<u>\$ 0</u>	<u>\$ 97,544</u>	<u>\$ 97,544</u>
Total Assets	<u>\$ 123,692</u>	<u>\$ 2,466,540</u>	<u>\$ 2,590,232</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 449	\$ 468	\$ 917
Due to Primary Government	1	0	1
Accrued Payroll	458	625	1,083
Unearned Revenue	0	0	0
Total Liabilities	<u>\$ 908</u>	<u>\$ 1,093</u>	<u>\$ 2,001</u>
NET POSITION			
Net Investment in Capital Assets	\$ 0	\$ 97,544	\$ 97,544
Unrestricted	122,784	2,367,903	2,490,687
Total Net Position	<u><u>\$ 122,784</u></u>	<u><u>\$ 2,465,447</u></u>	<u><u>\$ 2,588,231</u></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, 2021

	DDA	LDFA	Total Component Units
EXPENSES			
Downtown Development	\$ 55,234	\$ 0	\$ 55,234
Industrial Development	0	86,273	86,273
Contributions to City activities	159,749	60,930	220,679
Total Expenses	<u>\$ 214,983</u>	<u>\$ 147,203</u>	<u>\$ 362,186</u>
PROGRAM REVENUE			
Charges for Services	\$ 10,600	\$ 0	\$ 10,600
Operating Grants and Contributions	10,600	53,500	64,100
Capital Grants and Contributions	0	0	0
Total Program Revenue	<u>\$ 21,200</u>	<u>\$ 53,500</u>	<u>\$ 74,700</u>
NET (EXPENSE) REVENUE	<u>\$ (193,783)</u>	<u>\$ (93,703)</u>	<u>\$ (287,486)</u>
GENERAL REVENUE			
Property Taxes Captured	\$ 131,693	\$ 363,570	\$ 495,263
Land Rent	0	19,138	19,138
Investment Income	166	2,198	2,364
Other Income	0	0	0
Total General Revenue	<u>\$ 131,859</u>	<u>\$ 384,906</u>	<u>\$ 516,765</u>
CHANGE IN NET POSITION	<u>\$ (61,924)</u>	<u>\$ 291,203</u>	<u>\$ 229,279</u>
NET POSITION – Beginning	<u>184,708</u>	<u>2,174,244</u>	<u>2,358,952</u>
NET POSITION - Ending	<u><u>\$ 122,784</u></u>	<u><u>\$ 2,465,447</u></u>	<u><u>\$ 2,588,231</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, 2021

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, 2021

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, 2021

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.

Fiduciary Fund - accounts for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others (i.e. property taxes collected for other governments).

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.

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 the asset's 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, 2021

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, 2021

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, 2021

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

Deposits

Following are the components of the City’s bank deposits at June 30, 2021:

	Primary Government	Component Units
Cash on hand	\$ 450	\$ 0
Checking and savings accounts	203,423	16,534
	\$ 203,873	\$ 16,534

Investments

Following are the components of the City’s investments at June 30, 2021:

MBIA CLASS Investment Pool	\$ 5,763,809	\$ 2,476,028
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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, 2021, 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, 2021, the carrying amount of the City’s deposits was \$219,957 and the bank balance was \$229,415. 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, 2021, 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, 2021

NOTE 4 – RECEIVABLES (continued)

A summary of the principal items of receivables follows:

	General Fund	Major Street	Local Street	State Highway Fund	Proprietary Funds	Total
State Revenue Sharing	\$ 42,171	\$ 39,757	\$ 12,427	\$ 0	\$ 0	\$ 94,355
Property Taxes	14,793	0	1,178	0	0	15,971
State Highway Contract	0	0	0	6,271	0	6,271
Utility customers	0	0	0	0	15,505	15,505
Other Receivables	2,673	0	0	0	1,088	3,761
Total	\$ 59,637	\$ 39,757	\$ 13,605	\$ 6,271	\$ 16,593	\$ 135,863

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
PRIMARY GOVERNMENT				
<u>Governmental Activities</u>				
Capital assets not being depreciated				
Land	\$ 204,995	\$ 0	\$ 0	\$ 204,995
Capital assets being depreciated				
Land Improvements	\$ 183,383	\$ 3,216	\$ 0	\$ 186,599
Buildings & Improvements	963,312	3,700	0	967,012
Furniture & Equipment	967,603	28,566	0	996,169
Vehicles	1,386,745	49,277	0	1,436,022
Infrastructure	6,878,279	189,944	0	7,068,223
Less accumulated depreciation	(5,115,660)	(390,276)	0	(5,505,936)
Total capital assets being depreciated, net	\$ 5,263,662	\$ (115,573)	\$ 0	\$ 5,148,089
Total capital assets, net	\$ 5,468,657	\$ (115,573)	\$ 0	\$ 5,353,084
<u>Business-Type Activities</u>				
Capital assets not being depreciated				
Land	\$ 2,061	\$ 0	\$ 0	\$ 2,061
Capital assets being depreciated				
Facilities & Mains	\$ 16,804,352	\$ 16,915	\$ 0	\$ 16,821,267
Machinery & Equipment	1,029,761	20,764	0	1,050,525
Less accumulated depreciation	(9,014,729)	(443,838)	0	(9,458,567)
Total capital assets being depreciated, net	\$ 8,819,384	\$ (406,159)	\$ 0	\$ 8,413,225
Total capital assets, net	\$ 8,821,445	\$ (406,159)	\$ 0	\$ 8,415,286
PRIMARY GOVERNMENT				
Total capital assets, net	\$ 14,290,102	\$ (521,732)	\$ 0	\$ 13,768,370
COMPONENT UNITS				
Capital assets not being depreciated				
Land	\$ 97,544	\$ 0	\$ 0	\$ 97,544

CITY OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 - CAPITAL ASSETS (continued)

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

Governmental Activities:		Business-Type Activities:	
General Government	\$ 21,123	Water	\$ 165,127
Public Safety	68,482	Sewer	278,711
Public Improvements	48,319	Total	<u>\$ 443,838</u>
Streets, Highways and Drains	199,510		
Culture and Recreation	22,812		
Unallocated	30,030		
Total	<u>\$ 390,276</u>		

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at June 30, 2021, is as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General Fund	\$ 609	State Highway	\$ 609
General Fund	1	Major Street	1
General Fund	25	Water Fund	25
Local Streets	3,282	General Fund	3,282
Current Tax	10	General Fund	10
	<u>\$ 3,927</u>		<u>\$ 3,927</u>

Interfund transfers during the year consisted of the following:

	Transfer From							Total
	General Fund	Major Streets	Local Streets	State Highway	Water	Sewer	Motor Vehicle Pool	
Transfer to:								
General Fund	\$ 0	\$ 12,208	\$ 62,548	\$ 2,413	\$ 27,642	\$ 27,642	\$ 10,756	\$ 143,209
Local Streets	210,567	0	0	0	0	0	0	210,567
Debt Service	0	35,682	68,640	0	0	0	0	104,322
Sewer	0	0	0	0	8,578	0	0	8,578
Motor Vehicle Pool	36,268	0	0	0	2,000	6,000	0	44,268
Total	<u>\$ 246,835</u>	<u>\$ 47,890</u>	<u>\$ 131,188</u>	<u>\$ 2,413</u>	<u>\$ 38,220</u>	<u>\$ 33,642</u>	<u>\$ 10,756</u>	<u>\$ 510,944</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, 2021

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. These bonds were paid off this 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 obligation bonds to refund the USDA loan.

Water Revenue Bonds – During the year 2018-19, the City issued revenue bonds in the amount of \$2,765,000 for the acquisition, construction, and equipping of improvements to the water supply system.

The following is a summary of changes in long-term debt for the year ended June 30, 2021:

	<u>Balance</u> <u>6/30/2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2021</u>
Primary Government				
<i>Governmental Activities</i>				
North Parking Lot Bonds	\$ 212,000	\$ 0	\$ (50,000)	\$ 162,000
East Street Bonds	180,000	0	(60,000)	120,000
Murphy Street Bonds	35,000	0	(35,000)	0
Compensated Absences	67,178	0	(138)	67,040
Total Governmental Activities	<u>\$ 494,178</u>	<u>\$ 0</u>	<u>\$ (145,138)</u>	<u>\$ 349,040</u>
<i>Business-type Activities</i>				
Refunding Bonds – Sewer Fund	\$ 2,825,000	\$ 0	\$ (115,000)	\$ 2,710,000
Revenue Bonds - Water Fund	2,185,039	543,961	(177,472)	2,551,528
Compensated Absences	34,743	0	(16,542)	18,201
Total Business-type Activities	<u>\$ 5,044,782</u>	<u>\$ 543,961</u>	<u>\$ (309,014)</u>	<u>\$ 5,279,729</u>
Total Primary Government Long-Term Debt	<u>\$ 5,538,960</u>	<u>\$ 543,961</u>	<u>\$ (454,152)</u>	<u>\$ 5,628,769</u>

CITY OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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%	5/1/2024	\$ 52,000
East Street Bonds	3.00% - 4.90%	5/1/2023	60,000
Refunding Bonds – Sewer Fund	2.00% - 4.15%	1/1/2038	115,000
Revenue Bonds – Water Fund	3.125%	5/1/2059	38,000
			<u>\$ 265,000</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>
2022	\$ 112,000	\$ 12,142	\$ 153,000	\$ 195,226
2023	114,000	7,286	159,000	190,589
2024	56,000	2,240	165,000	184,570
2025	0	0	167,000	178,320
2026	0	0	173,000	172,008
2027-2031	0	0	986,000	755,036
2032-2036	0	0	1,195,000	550,082
2037-2041	0	0	745,000	317,845
2042-2046	0	0	373,000	236,625
2047-2051	0	0	436,000	174,563
2052-2056	0	0	508,000	102,094
2057-2059	0	0	201,528	21,531
Total	<u>\$ 282,000</u>	<u>\$ 21,668</u>	<u>\$ 5,261,528</u>	<u>\$ 3,078,489</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	\$ 29,126	Salaries and wages	\$ 27,546
Street light electricity	5,304	Parking Lot Maintenance	16,000
Other	1,500	Capital Outlay	53,531
		Other	4,500
<u>Water Fund</u>		<u>Debt Service Fund</u>	
Debt service	25,000	Bond payments	58,172
TOTAL	<u>\$ 60,930</u>	TOTAL	<u>\$ 159,749</u>

CITY OF JONESVILLE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

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 2020 was 16.388 mills. From this total, 4.6823 was transferred to the Local Streets Fund by vote of the City Council. The 2019 total state taxable value was approximately \$54,812,000 (\$51,638,000 ad valorem and \$3,174,000 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% 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 2020-21 is as follows:

Asset Value - June 30, 2020	\$ 2,067,936
Employer Contributions	38,731
Employee Contributions	39,830
Investment Gain (Loss)	598,573
Distributions	(173,593)
Asset Value - June 30, 2021	<u><u>\$ 2,571,477</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.

CITY OF JONESVILLE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

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
Nonspendable:				
Inventory	\$ 3,666	\$ 0	\$ 0	\$ 0
Prepaid Expenditures	25,461	0	0	0
Restricted:				
Streets	0	499,803	573,765	16,102

NOTE 16 – TAX ABATEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, requires the disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenue. Disclosure of information about the nature and magnitude of tax abatements is intended to make these transactions more transparent to financial statement users.

The City receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions they have granted. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. The property taxes abated for all funds under this program totaled \$23,174.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 8, 2021, the date on which the financial statements were available to be issued.

NOTE 18 – CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 84, *Fiduciary Activities*, establishes specific criteria for identifying activities that should be reported as fiduciary activities. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Any activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The City has one fund that meets the criteria: custodial fund for tax collections.

NOTE 19 – GLOBAL PANDEMIC

The COVID-19 pandemic developed rapidly in 2020, with a significant number of infections, both locally and worldwide. The extent of the impact on the City’s operational and financial performance will depend on the duration and spread of the outbreak, the impact on the state economy, taxpayer, employees, and vendors, all of which are uncertain and cannot be predicted.

CITY OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 20 – UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, was issued in June 2017 and will be effective for the City's 2022 year-end. The objective of the Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows and of resources of outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

CITY OF JONESVILLE
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
REVENUE				
Property Taxes	\$ 747,225	\$ 810,025	\$ 769,065	\$ (40,960)
Licenses and Permits	1,100	1,100	1,902	802
State Shared Revenue	223,595	261,535	260,476	(1,059)
Grants	0	37,400	39,816	2,416
Charges and Fees	71,550	71,550	114,933	43,383
Recreation	22,500	22,500	0	(22,500)
Rents and Royalties	26,000	26,000	24,999	(1,001)
Cemetery Revenue	21,000	21,000	33,989	12,989
Contributions	4,500	4,500	4,306	(194)
Interest	30,000	30,000	2,125	(27,875)
Contributions from Component Units	82,811	136,311	137,507	1,196
Miscellaneous	0	0	3,159	3,159
Total Revenue	<u>\$ 1,230,281</u>	<u>\$ 1,421,921</u>	<u>\$ 1,392,277</u>	<u>\$ (29,644)</u>
EXPENDITURES				
General Government				
City Council	\$ 26,000	\$ 26,000	\$ 21,068	\$ (4,932)
City Manager	111,990	116,190	115,509	(681)
Elections	5,800	6,100	6,053	(47)
General Office	215,362	222,927	222,881	(46)
Board of Review	1,575	1,575	766	(809)
Treasurer	2,900	2,900	2,614	(286)
Assessor	11,725	14,925	14,745	(180)
Data Processing	22,100	22,200	22,194	(6)
City Hall	17,117	18,517	18,228	(289)
Cemetery	52,128	57,028	57,017	(11)
Freedom Memorial	1,900	1,900	687	(1,213)
Fringe Benefits	32,220	42,320	42,256	(64)
Insurance	14,000	14,800	14,786	(14)

CITY OF JONESVILLE
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021
(continued)

	Budget Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Public Safety				
Police	310,949	310,949	258,624	(52,325)
Fire	87,522	100,222	100,135	(87)
Economic & Community Development				
Planning & Zoning	11,421	11,421	6,223	(5,198)
Public Works				
Parking Lots	16,015	16,015	14,697	(1,318)
Sidewalks	1,405	1,405	0	(1,405)
Other	18,120	22,920	22,624	(296)
Streets, Highways, and Drains				
Street Lighting	35,000	32,200	32,115	(85)
Sanitation				
Landfill	6,290	12,790	12,520	(270)
Culture and Recreation				
Recreation	44,852	44,852	107	(44,745)
Parks	14,225	16,995	16,941	(54)
Rail/Trail	6,275	7,475	7,443	(32)
Capital Outlay	66,300	142,205	141,522	(683)
Total Expenditures	<u>\$ 1,133,191</u>	<u>\$ 1,266,831</u>	<u>\$ 1,151,755</u>	<u>\$ (115,076)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 97,090</u>	<u>\$ 155,090</u>	<u>\$ 240,522</u>	<u>\$ 85,432</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	\$ 139,580	\$ 139,580	\$ 143,209	\$ 3,629
Operating Transfers Out	<u>(233,000)</u>	<u>(291,400)</u>	<u>(246,835)</u>	<u>44,565</u>
Total Other				
Financing Sources (Uses)	<u>\$ (93,420)</u>	<u>\$ (151,820)</u>	<u>\$ (103,626)</u>	<u>\$ 48,194</u>
NET CHANGE IN FUND BALANCES	\$ 3,670	\$ 3,270	\$ 136,896	\$ 133,626
FUND BALANCES - Beginning	<u>1,677,934</u>	<u>1,677,934</u>	<u>1,677,934</u>	<u>0</u>
FUND BALANCES - Ending	<u><u>\$ 1,681,604</u></u>	<u><u>\$ 1,681,204</u></u>	<u><u>\$ 1,814,830</u></u>	<u><u>\$ 133,626</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, 2021

	Budget Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
REVENUE				
State Shared Revenue	\$ 245,793	\$ 245,793	\$ 250,932	\$ 5,139
Interest	4,000	4,000	373	(3,627)
Grants	0	0	0	0
Miscellaneous	0	0	0	0
Total Revenue	<u>\$ 249,793</u>	<u>\$ 249,793</u>	<u>\$ 251,305</u>	<u>\$ 1,512</u>
EXPENDITURES				
Street Construction	\$ 83,500	\$ 83,500	\$ 21,707	\$ (61,793)
Routine Maintenance	63,100	68,100	64,106	(3,994)
Traffic Control	4,100	4,100	1,872	(2,228)
Winter Maintenance	23,065	23,065	13,783	(9,282)
Total Expenditures	<u>\$ 173,765</u>	<u>\$ 178,765</u>	<u>\$ 101,468</u>	<u>\$ (77,297)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 76,028</u>	<u>\$ 71,028</u>	<u>\$ 149,837</u>	<u>\$ 78,809</u>
OTHER FINANCING SOURCES (USES)				
Contributions from Component Units	\$ 67,000	\$ 67,000	\$ 0	\$ (67,000)
Transfers In	5,000	5,000	0	(5,000)
Transfers Out	(47,890)	(47,890)	(47,890)	0
Total Other Financing Sources (Uses)	<u>\$ 24,110</u>	<u>\$ 24,110</u>	<u>\$ (47,890)</u>	<u>\$ (72,000)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 100,138</u>	<u>\$ 95,138</u>	<u>\$ 101,947</u>	<u>\$ 6,809</u>
FUND BALANCES - Beginning	<u>397,856</u>	<u>397,856</u>	<u>397,856</u>	<u>0</u>
FUND BALANCES - Ending	<u><u>\$ 497,994</u></u>	<u><u>\$ 492,994</u></u>	<u><u>\$ 499,803</u></u>	<u><u>\$ 6,809</u></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, 2021

	Budget Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
REVENUE				
State Shared Revenue	\$ 77,097	\$ 77,097	\$ 78,430	\$ 1,333
Grants	0	0	0	0
Interest	10,000	10,000	649	(9,351)
Miscellaneous	0	0	824	824
Total Revenue	<u>\$ 87,097</u>	<u>\$ 87,097</u>	<u>\$ 79,903</u>	<u>\$ (7,194)</u>
EXPENDITURES				
Street Construction	\$ 92,000	\$ 92,000	\$ 81,824	\$ (10,176)
Routine Maintenance	67,320	72,320	70,436	(1,884)
Traffic Control	2,314	2,314	1,809	(505)
Winter Maintenance	18,530	18,530	16,276	(2,254)
Total Expenditures	<u>\$ 180,164</u>	<u>\$ 185,164</u>	<u>\$ 170,345</u>	<u>\$ (14,819)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (93,067)</u>	<u>\$ (98,067)</u>	<u>\$ (90,442)</u>	<u>\$ 7,625</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 205,000	\$ 205,000	\$ 210,567	\$ 5,567
Transfers Out	(131,188)	(131,188)	(131,188)	0
Total Other Financing Sources (Uses)	<u>\$ 73,812</u>	<u>\$ 73,812</u>	<u>\$ 79,379</u>	<u>\$ 5,567</u>
NET CHANGE IN FUND BALANCES	\$ (19,255)	\$ (24,255)	\$ (11,063)	\$ 13,192
FUND BALANCES - Beginning	584,828	584,828	584,828	0
FUND BALANCES - Ending	<u><u>\$ 565,573</u></u>	<u><u>\$ 560,573</u></u>	<u><u>\$ 573,765</u></u>	<u><u>\$ 13,192</u></u>

CITY OF JONESVILLE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2021

	Debt Service Fund	Special Revenue State Highway Fund	Total
ASSETS			
Cash	\$ 0	\$ 10,682	\$ 10,682
Due from Other Governmental Units	0	6,271	6,271
Total Assets	<u>\$ 0</u>	<u>\$ 16,953</u>	<u>\$ 16,953</u>
LIABILITIES			
Due to Other Funds	\$ 0	\$ 609	\$ 609
Accounts Payable	0	242	242
Total Liabilities	<u>\$ 0</u>	<u>\$ 851</u>	<u>\$ 851</u>
FUND BALANCE			
Nonspendable	\$ 0	\$ 0	\$ 0
Restricted	0	16,102	16,102
Committed	0	0	0
Assigned	0	0	0
Unassigned	0	0	0
Total Fund Balances	<u>\$ 0</u>	<u>\$ 16,102</u>	<u>\$ 16,102</u>
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 16,953</u>	<u>\$ 16,953</u>

CITY OF JONESVILLE
 COMBINING STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Debt Service Fund	State Highway Fund	Total
REVENUE			
State Highway Contract	\$ 0	\$ 24,865	\$ 24,865
Contribution from Component Units	58,172	0	58,172
Interest Income	0	1	1
Total Revenue	<u>\$ 58,172</u>	<u>\$ 24,866</u>	<u>\$ 83,038</u>
EXPENDITURES			
Streets, Highways, Drains			
Routine Maintenance	\$ 0	\$ 10,027	\$ 10,027
Traffic Control	0	570	570
Winter Maintenance	0	9,346	9,346
Debt Service			
Principal	145,000	0	145,000
Interest	17,494	0	17,494
Total Expenditures	<u>\$ 162,494</u>	<u>\$ 19,943</u>	<u>\$ 182,437</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (104,322)</u>	<u>\$ 4,923</u>	<u>\$ (99,399)</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	\$ 104,322	\$ 0	\$ 104,322
Operating Transfers Out	0	(2,413)	(2,413)
Total Other Financing Sources (Uses)	<u>\$ 104,322</u>	<u>\$ (2,413)</u>	<u>\$ 101,909</u>
NET CHANGES IN FUND BALANCES	<u>\$ 0</u>	<u>\$ 2,510</u>	<u>\$ 2,510</u>
FUND BALANCES - Beginning	<u>0</u>	<u>13,592</u>	<u>13,592</u>
FUND BALANCES - Ending	<u><u>\$ 0</u></u>	<u><u>\$ 16,102</u></u>	<u><u>\$ 16,102</u></u>



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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, 2020, 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 December 8, 2021.

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 was not designed to 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 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

December 8, 2021