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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Jonesville
Jonesville, Michigan

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Jonesville and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 18 to the financial statements, in 2022 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Jonesville's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than

or one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Jonesville's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Jonesville's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 pages 3 - 9 and page 36 - 39 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2022, 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 the City's 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
November 9, 2022

City of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2022

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, 2022. 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 \$14,711,398 (net position) at the close of this fiscal year. Net position at the beginning of the fiscal year totaled \$14,051,974, showing an increase of \$659,424 during the current year.
- The City's governmental funds reported total ending fund balance of \$3,129,894 of which \$1,820,226 is unassigned and unrestricted, and available for spending at the City's discretion. This compares to the prior year ending fund balance of \$2,904,500 showing an increase of \$225,394 during the current year.
- At the end of the current year, fund balance for the General Fund was \$1,833,550 or 106% of General Fund expenditures. This is an increase of \$18,720 from last year's ending fund balance of \$1,814,830.

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, 2022

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 \$14,711,398 (net position) at the close of this fiscal year. Net position at the beginning of the fiscal year totaled \$14,051,974, showing an increase of \$659,424 over the prior year.

City of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2022

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

NET POSITION

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2022	2021	2022	2021	2022
Current Assets	\$ 3,512,384	\$ 3,869,033	\$ 2,637,779	\$ 2,571,518	\$ 6,150,163	\$ 6,440,551
Non-current Assets	5,353,084	5,851,147	8,415,287	8,278,128	13,768,371	14,129,275
Total Assets	\$ 8,865,468	\$ 9,720,180	\$ 11,053,066	\$ 10,849,646	\$ 19,918,534	\$ 20,569,826
Current Liabilities	\$ 314,515	\$ 582,257	\$ 196,259	\$ 196,622	\$ 510,774	\$ 778,879
Non-current Liabilities	237,040	117,797	5,118,746	4,961,752	5,355,786	5,079,549
Total Liabilities	\$ 551,555	\$ 700,054	\$ 5,315,005	\$ 5,158,374	\$ 5,866,560	\$ 5,858,428
Net Position:						
Net Investment in						
Capital Assets	\$ 5,181,060	\$ 5,679,933	\$ 3,147,721	\$ 3,095,712	\$ 8,328,781	\$ 8,775,645
Restricted	1,089,670	1,296,344	44,969	67,548	1,134,639	1,363,892
Unrestricted	2,043,183	2,043,849	2,545,371	2,528,012	4,588,554	4,571,861
Total Net Position	\$ 8,313,913	\$ 9,020,126	\$ 5,738,061	\$ 5,691,272	\$ 14,051,974	\$ 14,711,398

The City reported positive net position for governmental and business-type activities. Net position increased \$706,213 for governmental activities and decreased \$46,789 for business-type activities; therefore, the City's overall financial position improved during fiscal year 2022.

City of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2022

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	
	2021	2022	2021	2022	2021	2022
Program Revenue						
Charges for Services	\$ 179,136	\$ 151,059	\$ 1,100,899	\$ 1,114,086	\$ 1,280,035	\$ 1,265,145
Operating Grants and Contributions	594,852	578,724	25,000	25,000	619,852	603,724
Capital Grants and Contributions	0	126,000	0	0	0	126,000
General Revenue						
Property Taxes	740,753	774,929	0	0	740,753	774,929
State Shared Revenue	260,476	284,483	0	0	260,476	284,483
Investment Income	3,148	8,257	2,422	6,139	5,570	14,396
Other	28,158	385,081	66,724	59,234	94,882	444,315
Total Revenue	<u>\$ 1,806,523</u>	<u>\$ 2,308,533</u>	<u>\$ 1,195,045</u>	<u>\$ 1,204,459</u>	<u>\$ 3,001,568</u>	<u>\$ 3,512,992</u>
Expenses						
General Government	\$ 559,789	\$ 611,341	\$ 0	\$ 0	\$ 559,789	\$ 611,341
Public Safety	427,241	484,406	0	0	427,241	484,406
Economic & Community						
Development	6,223	4,131	0	0	6,223	4,131
Public Works	85,640	97,622	0	0	85,640	97,622
Streets, Highways, Drains	402,781	349,921	0	0	402,781	349,921
Sanitation	12,520	620	0	0	12,520	620
Culture & Recreation	47,303	78,452	0	0	47,303	78,452
Interest on Long-Term Debt	16,488	11,332	0	0	16,488	11,332
Depreciation - Unallocated	30,030	30,305	0	0	30,030	30,305
Water Utility	0	0	421,841	452,328	421,841	452,328
Sewer Utility	0	0	723,066	733,110	723,066	733,110
Total Expenses	<u>\$ 1,588,015</u>	<u>\$ 1,668,130</u>	<u>\$ 1,144,907</u>	<u>\$ 1,185,438</u>	<u>\$ 2,732,922</u>	<u>\$ 2,853,568</u>
Excess (deficiency)	\$ 218,508	\$ 640,403	\$ 50,138	\$ 19,021	\$ 268,646	\$ 659,424
Transfers	63,284	65,810	(63,284)	(65,810)	0	0
CHANGE IN NET POSITION	<u>\$ 281,792</u>	<u>\$ 706,213</u>	<u>\$ (13,146)</u>	<u>\$ (46,789)</u>	<u>\$ 268,646</u>	<u>\$ 659,424</u>

Governmental Activities increased the City's net position by \$706,213. This represents an increase from last year's change in net position.

Revenues from governmental activities totaled \$2,308,533. Property tax revenue represented the largest portion of those revenues (33.6%), operating grants and contributions was 25.1%, and state shared revenue was 12.3%.

The largest components of governmental activities' expenses were general government (36.6%), public safety (29.0%), and streets, highways, and drains (21.0%). 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 \$46,789. 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, 2022

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, 2022, the City's governmental funds reported combined ending fund balances of \$3,129,894. Of this total, approximately 58.2% 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 \$1,833,550, representing an increase of \$18,720. 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 \$105,559 in fund balance. The Local Street Fund experienced an increase of \$100,989 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 \$5,691,272 at June 30, 2022, a decrease of \$46,789 from the previous fiscal year. The Motor Vehicle Pool's net position at the end of this fiscal year was \$875,852, an increase of \$32,424 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 \$538,179 (\$1,947,406 vs. \$1,409,227). The increase between the appropriations originally budgeted and the final appropriations budget was \$494,811 (\$1,824,477 vs. \$1,329,666). There were minor increases in City Manager, Elections, General Office, Data Processing, City Hall, Cemetery, Fringe Benefits, Public Safety, Public Works, Parks, and Rail/Trail. Capital Outlay was \$624,457, which included the following: City Hall roof and renovations due to the August 2021 storm (\$369,246), Council laptops and gear (\$6,847), BS&A Miscellaneous Receivables and Cemetery Software (\$8,400), DPW Salt Pad top coat (\$3,364), DPW building garage door openers (\$1,850), Cemetery building improvements (\$22,754), Cemetery foundation repairs (\$5,000), New Police Department furnace and A/C (\$9,800), Police Department front door repairs (\$1,202), Fire Department overhead door openers (\$4,000), Fire Department turnout gear washer (\$4,766), Fire Department Emergency Siren replacement (\$30,780), Fire Department gutter repair (\$1,800), Fire Department Truck 535 and 539 equipment (\$2,908), Fire Department SCBAs (\$147,000), Fire Department pagers (\$2,489), and traffic signal service panel replacement (\$2,251).

City of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2022

Capital Asset and Debt Administration

Capital assets at year-end were as follows:

	Governmental Activities		Business-type Activities		Primary Government	
	2021	2022	2021	2022	2021	2022
Land	\$ 204,995	\$ 204,995	\$ 2,061	\$ 2,061	\$ 207,056	\$ 207,056
Construction in Progress	\$ 0	\$ 0	\$ 0	\$ 0	0	0
Land Improvements	186,599	194,962	0	0	186,599	194,962
Buildings and Improvements	967,012	1,413,210	0	0	967,012	1,413,210
Facilities and Mains	0	0	16,821,267	17,023,645	16,821,267	17,023,645
Furniture and Equipment	996,169	1,167,221	1,050,525	1,059,966	2,046,694	2,227,187
Vehicles	1,436,022	1,483,194	0	0	1,436,022	1,483,194
Infrastructure	7,068,223	7,146,512	0	0	7,068,223	7,146,512
Less: Acc. Depreciation	(5,505,936)	(5,758,947)	(9,458,567)	(9,875,094)	(14,964,503)	(15,634,041)
Total Capital Assets, Net Of Depreciation	\$ 5,353,084	\$ 5,851,147	\$ 8,415,286	\$ 8,210,578	\$ 13,768,370	\$ 14,061,725

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

	Governmental Activities		Business-type Activities		Primary Government	
	2021	2022	2021	2022	2021	2022
General Government	\$ 282,000	\$ 170,000	\$ 0	\$ 0	\$ 282,000	\$ 170,000
Revenue Bonds	0	0	2,551,528	2,513,528	\$ 2,551,528	2,513,528
General Obligation Bonds	0	0	2,710,000	2,595,000	2,710,000	2,595,000
Total Long-Term Debt	\$ 282,000	\$ 170,000	\$ 5,261,528	\$ 5,108,528	\$ 5,543,528	\$ 5,278,528

Factors Bearing on the City's Future

One of the City's greatest assets is the staff. Retention and recruitment of talented and dedicated employees assures that the City can provide efficient and effective services to the citizens. In recent years, the City has completed wage studies for full-time, part-time and paid-on-call employees to assure that wages remain competitive, with wage adjustments completed, as necessary. Recruitment of law enforcement officers has presented challenges. National trends in the profession have resulted in a higher number of retirements than new entries into the profession. The City is pursuing creative ways to recruit new officers, including innovative scheduling and education reimbursements.

Infrastructure investments will continue, including milling, paving, safety and efficiency improvements to Maumee Street. This project is partially funded with Federal grant dollars. The Downtown Development Authority is working to coordinate streetscape updates in the Downtown with planned paving by the Michigan Department of Transportation. Pedestrian and bicycle safety improvements are being explored, along with changes to lane markings to improve the function of on-street parking for our Downtown businesses.

The City Council and Downtown Development Authority have worked cooperatively to recruit a potential developer to the former Klein Tool Building. It is hoped that this project will add additional retail and housing space to the Downtown, activate the riverfront, and provide important tax base.

The City continues to monitor inflation trends. Staff has noted impacts on availability, lead time, and cost of parts and equipment in all Departments. These trends will warrant careful monitoring for their potential impacts on future year budgeting and projects.

City of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2022

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.

CITY OF JONESVILLE
STATEMENT OF NET POSITION
JUNE 30, 2022

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 104,538	\$ 74,812	\$ 179,350	\$ 8,767
Investments	3,587,371	2,453,276	6,040,647	2,766,691
Accounts Receivable	63,091	29,618	92,709	0
Internal Balances	543	(543)	0	0
Due from Other Governmental Units	99,192	0	99,192	0
Inventory	4,193	5,677	9,870	0
Prepaid Expense	10,105	8,678	18,783	126
Total Current Assets	\$ 3,869,033	\$ 2,571,518	\$ 6,440,551	\$ 2,775,584
Noncurrent Assets				
Capital Assets - Not Depreciated	\$ 204,995	\$ 2,061	\$ 207,056	\$ 97,544
Other Capital Assets - Net of Depreciation	5,646,152	8,208,519	13,854,671	0
Restricted Cash	0	67,548	67,548	0
Total Noncurrent Assets	\$ 5,851,147	\$ 8,278,128	\$ 14,129,275	\$ 97,544
Total Assets	\$ 9,720,180	\$ 10,849,646	\$ 20,569,826	\$ 2,873,128
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 227,192	\$ 21,347	\$ 248,539	\$ 3,869
Internal Balances	303	(303)	0	0
Accrued Payroll	6,777	2,555	9,332	135
Customer Deposits	0	200	200	0
Interest Payable	1,214	13,823	15,037	0
Unearned Revenue	232,771	0	232,771	1,284
Current Portion of Long-Term Debt	114,000	159,000	273,000	0
Total Current Liabilities	\$ 582,257	\$ 196,622	\$ 778,879	\$ 5,288
Noncurrent Liabilities				
Bonds Payable (net of discount)	\$ 56,000	\$ 4,942,045	\$ 4,998,045	\$ 0
Compensated Absences	61,797	19,707	81,504	0
Total Noncurrent Liabilities	\$ 117,797	\$ 4,961,752	\$ 5,079,549	\$ 0
Total Liabilities	\$ 700,054	\$ 5,158,374	\$ 5,858,428	\$ 5,288
NET POSITION				
Net Investment in Capital Assets	\$ 5,679,933	\$ 3,095,712	\$ 8,775,645	\$ 97,544
Restricted for:				
Streets	1,296,344	0	1,296,344	0
RD Bond Covenants	0	67,548	67,548	0
Unrestricted	2,043,849	2,528,012	4,571,861	2,770,296
Total Net Position	\$ 9,020,126	\$ 5,691,272	\$ 14,711,398	\$ 2,867,840

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

CITY OF JONESVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 611,341	\$ 67,147	\$ 191,808	\$ 0	\$ (352,386)
Public Safety	484,406	72,047	0	126,000	(286,359)
Economic and Community Development	4,131	250	0	0	(3,881)
Public Works	97,622	0	0	0	(97,622)
Streets, Highways, and Drains	349,921	0	376,469	0	26,548
Sanitation	620	0	0	0	(620)
Culture and Recreation	78,452	11,615	10,447	0	(56,390)
Interest on Long-Term Debt	11,332	0	0	0	(11,332)
Depreciation - Unallocated ¹	30,305	0	0	0	(30,305)
Total Governmental Activities	\$ 1,668,130	\$ 151,059	\$ 578,724	\$ 126,000	\$ (812,347)
Business-type Activities:					
Water	\$ 452,328	\$ 350,368	\$ 25,000	\$ 0	\$ (76,960)
Sewer	733,110	763,718	0	0	30,608
Total Business-type Activities	\$ 1,185,438	\$ 1,114,086	\$ 25,000	\$ 0	\$ (46,352)
Total Primary Government	\$ 2,853,568	\$ 1,265,145	\$ 603,724	\$ 126,000	\$ (858,699)
Component Units:					
Downtown Development Authority	\$ 229,908	\$ 15,000	\$ 15,000	\$ 0	\$ (199,908)
Local Development Finance Authority	84,340	0	0	0	(84,340)
Total Component Units	\$ 314,248	\$ 15,000	\$ 15,000	\$ 0	\$ (284,248)
Primary Government					
		Governmental Activities	Business-type Activities	Total	Component Units
Change in Net Position:					
Net (Expense) Revenue		\$ (812,347)	\$ (46,352)	\$ (858,699)	\$ (284,248)
General Revenue:					
Property Taxes Levied for General Purposes		\$ 774,929	\$ 0	\$ 774,929	\$ 0
Property Taxes Captured		0	0	0	533,736
State Shared Revenue		284,483	0	284,483	0
Investment Income		8,257	6,139	14,396	6,919
Insurance Proceeds		339,276	0	339,276	0
Miscellaneous		45,805	59,234	105,039	23,202
Total General Revenue		\$ 1,452,750	\$ 65,373	\$ 1,518,123	\$ 563,857
Excess (deficiency)		\$ 640,403	\$ 19,021	\$ 659,424	\$ 279,609
Transfers		65,810	(65,810)	0	0
Change in Net Position		\$ 706,213	\$ (46,789)	\$ 659,424	\$ 279,609
Net Position – Beginning		8,313,913	5,738,061	14,051,974	2,588,231
Net Position – Ending		\$ 9,020,126	\$ 5,691,272	\$ 14,711,398	\$ 2,867,840

¹This 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
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General	Major Streets	Local Streets	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 59,969	\$ 12,328	\$ 1,529	\$ 18,052	\$ 91,878
Investments	2,104,517	556,349	650,029	0	3,310,895
Taxes & Accounts Receivable	61,913	0	1,178	0	63,091
Due from Other Funds	16,630	0	10,732	0	27,362
Due from Other Governmental Units	48,105	38,947	12,140	0	99,192
Inventory	4,193	0	0	0	4,193
Prepaid Expenditures	9,131	0	0	0	9,131
Total Assets	<u>\$ 2,304,458</u>	<u>\$ 607,624</u>	<u>\$ 675,608</u>	<u>\$ 18,052</u>	<u>\$ 3,605,742</u>
LIABILITIES					
Accounts Payable	\$ 220,994	\$ 1,995	\$ 734	\$ 1,478	\$ 225,201
Due to Other Funds	11,035	96	0	133	11,264
Salaries Payable	6,108	171	120	213	6,612
Unearned Revenue	232,771	0	0	0	232,771
Total Liabilities	<u>\$ 470,908</u>	<u>\$ 2,262</u>	<u>\$ 854</u>	<u>\$ 1,824</u>	<u>\$ 475,848</u>
FUND BALANCES					
Nonspendable	\$ 13,324	\$ 0	\$ 0	\$ 0	\$ 13,324
Restricted	0	605,362	674,754	16,228	1,296,344
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Unassigned	1,820,226	0	0	0	1,820,226
Total Fund Balances	<u>\$ 1,833,550</u>	<u>\$ 605,362</u>	<u>\$ 674,754</u>	<u>\$ 16,228</u>	<u>\$ 3,129,894</u>
Total Liabilities and Fund Balances	<u>\$ 2,304,458</u>	<u>\$ 607,624</u>	<u>\$ 675,608</u>	<u>\$ 18,052</u>	<u>\$ 3,605,742</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, 2022

Fund Balances - total governmental funds	\$ 3,129,894
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	11,610,094
Deduct: Accumulated depreciation	(5,758,947)
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 current assets	289,052
Deduct: Internal Service Fund current liabilities	(16,956)
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	(170,000)
Deduct: Accrued interest on bonds and notes payable	(1,214)
Deduct: Compensated absences	(61,797)
Net position of governmental activities	\$ 9,020,126

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, 2022

	General	Major Streets	Local Streets	Other Governmental Funds	Total Governmental Funds
REVENUE					
Property Taxes	\$ 805,155	\$ 0	\$ 0	\$ 0	\$ 805,155
Licenses and Permits	829	0	0	0	829
State Shared Revenue	284,483	261,739	81,654	0	627,876
Grants	422,571	0	0	0	422,571
Charges and Fees	85,841	0	0	0	85,841
State Highway Contract	0	0	0	32,202	32,202
Recreation	22,062	0	0	0	22,062
Rents and Royalties	24,789	0	0	0	24,789
Cemetery Revenue	22,547	0	0	0	22,547
Contributions	17,121	0	0	0	17,121
Interest	5,404	1,245	1,607	1	8,257
Contributions from Component Units	113,794	0	0	58,322	172,116
Miscellaneous	21,017	0	874	0	21,891
Total Revenue	<u>\$ 1,825,613</u>	<u>\$ 262,984</u>	<u>\$ 84,135</u>	<u>\$ 90,525</u>	<u>\$ 2,263,257</u>
EXPENDITURES					
General Government	\$ 577,800	\$ 0	\$ 0	\$ 0	\$ 577,800
Public Safety	385,989	0	0	0	385,989
Economic & Community Development	4,131	0	0	0	4,131
Public Works	49,022	0	0	0	49,022
Streets, Highways, and Drains	32,204	144,699	73,445	28,951	279,299
Sanitation	620	0	0	0	620
Culture and Recreation	56,030	0	0	0	56,030
Capital Outlay	624,457	0	0	0	624,457
Debt Service					
Principal	0	0	0	112,000	112,000
Interest	0	0	0	12,142	12,142
Total Expenditures	<u>\$ 1,730,253</u>	<u>\$ 144,699</u>	<u>\$ 73,445</u>	<u>\$ 153,093</u>	<u>\$ 2,101,490</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 95,360</u>	<u>\$ 118,285</u>	<u>\$ 10,690</u>	<u>\$ (62,568)</u>	<u>\$ 161,767</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, 2022
(continued)

	General	Major Streets	Local Streets	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	\$ 150,654	\$ 0	\$ 220,085	\$ 65,820	\$ 436,559
Insurance Proceeds	339,276	0	0	0	339,276
Operating Transfers Out	(272,570)	(12,726)	(129,786)	(3,126)	(418,208)
Other Financing Uses	(294,000)	0	0	0	(294,000)
Total Other Financing Sources (Uses)	\$ (76,640)	\$ (12,726)	\$ 90,299	\$ 62,694	\$ 63,627
NET CHANGE IN FUND BALANCES	\$ 18,720	\$ 105,559	\$ 100,989	\$ 126	\$ 225,394
FUND BALANCES – Beginning	1,814,830	499,803	573,765	16,102	2,904,500
FUND BALANCES – Ending	\$ 1,833,550	\$ 605,362	\$ 674,754	\$ 16,228	\$ 3,129,894

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, 2022

Net changes in fund balances - total governmental funds	\$ 225,394
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	700,493
Deduct: Depreciation expense	(445,642)
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.	
	107,915
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	112,000
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	810
Add: Decrease in accrual for compensated absences	5,243
Change in net position of governmental activities	\$ 706,213

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

CITY OF JONESVILLE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	Enterprise Funds		Total Enterprise Funds	Internal Service Funds
	Water	Sewer		
ASSETS				
Current Assets				
Cash	\$ 27,414	\$ 47,398	\$ 74,812	\$ 11,602
Investments	822,809	1,630,467	2,453,276	276,476
Accounts Receivable	6,264	23,354	29,618	0
Due from Other Funds	0	303	303	0
Inventory	1,395	4,282	5,677	0
Prepaid Expense	452	8,226	8,678	974
Total Current Assets	\$ 858,334	\$ 1,714,030	\$ 2,572,364	\$ 289,052
Noncurrent Assets				
Capital Assets - Not Depreciated	\$ 2,061	\$ 0	\$ 2,061	\$ 0
Other Capital Assets, Net of Accumulated Depreciation	3,438,691	4,769,828	8,208,519	603,756
Restricted Cash - RD Bond Reserve	36,708	0	36,708	0
Restricted Cash - RD Repair, Replacement & Improvement	30,840	0	30,840	0
Total Noncurrent Assets	\$ 3,508,300	\$ 4,769,828	\$ 8,278,128	\$ 603,756
Total Assets	\$ 4,366,634	\$ 6,483,858	\$ 10,850,492	\$ 892,808
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 4,060	\$ 17,287	\$ 21,347	\$ 1,991
Accrued Payroll	977	1,578	2,555	165
Due to Other Funds	522	21	543	14,800
Customer Deposits	100	100	200	0
Total Current Liabilities	\$ 5,659	\$ 18,986	\$ 24,645	\$ 16,956
Liabilities Payable from Restricted Assets				
Accrued Interest Payable	\$ 13,823	\$ 0	\$ 13,823	\$ 0
Bonds Payable - Current	39,000	120,000	159,000	0
Total Liabilities Payable from Restricted Assets	\$ 52,823	\$ 120,000	\$ 172,823	\$ 0
Noncurrent Liabilities				
Bonds Payable	\$ 2,474,528	\$ 2,475,000	\$ 4,949,528	\$ 0
Bond Discount	0	(7,483)	(7,483)	0
Compensated Absences	75	19,632	19,707	0
Total Noncurrent Liabilities	\$ 2,474,603	\$ 2,487,149	\$ 4,961,752	\$ 0
Total Liabilities	\$ 2,533,085	\$ 2,626,135	\$ 5,159,220	\$ 16,956
NET POSITION				
Net Investment in Capital Assets	\$ 913,401	\$ 2,182,311	\$ 3,095,712	\$ 603,756
Restricted by RD Bond Covenants:				
Bond Reserve	36,708	0	36,708	0
Repair, Replacement, & Improvement	30,840	0	30,840	0
Unrestricted	852,600	1,675,412	2,528,012	272,096
Total Net Position	\$ 1,833,549	\$ 3,857,723	\$ 5,691,272	\$ 875,852

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, 2022

	Enterprise Funds		Total Enterprise Funds	Internal Service Funds
	Water	Sewer		
OPERATING REVENUE				
Sales	\$ 345,918	\$ 760,323	\$ 1,106,241	\$ 0
Equipment Rental	4,450	3,395	7,845	109,772
Grants	0	0	0	1,532
Other	33,387	25,847	59,234	9,600
Total Operating Revenue	<u>\$ 383,755</u>	<u>\$ 789,565</u>	<u>\$ 1,173,320</u>	<u>\$ 120,904</u>
OPERATING EXPENSES				
Sewage Disposal	\$ 0	\$ 370,777	\$ 370,777	\$ 0
Water Plant Operation	136,963	0	136,963	0
Water Distribution Expenses	71,284	0	71,284	0
Depreciation	164,544	251,983	416,527	75,490
Motor Vehicle Expense	0	0	0	75,541
Total Operating Expenses	<u>\$ 372,791</u>	<u>\$ 622,760</u>	<u>\$ 995,551</u>	<u>\$ 151,031</u>
OPERATING INCOME (LOSS)	<u>\$ 10,964</u>	<u>\$ 166,805</u>	<u>\$ 177,769</u>	<u>\$ (30,127)</u>
NON-OPERATING REVENUE (EXPENSES)				
Interest Income	\$ 2,108	\$ 4,031	\$ 6,139	\$ 469
Interest Expense	(79,537)	(110,350)	(189,887)	0
Total Non-operating Revenue (Expense)	<u>\$ (77,429)</u>	<u>\$ (106,319)</u>	<u>\$ (183,748)</u>	<u>\$ 469</u>
Income (Loss) Before Contributions and Transfers	<u>\$ (66,465)</u>	<u>\$ 60,486</u>	<u>\$ (5,979)</u>	<u>\$ (29,658)</u>
CONTRIBUTIONS AND TRANSFERS				
Contributions from Other Governments	\$ 0	\$ 0	\$ 0	\$ 14,625
Contributions from Component Units	25,000	0	25,000	0
Transfers From Other Funds	0	0	0	60,484
Transfers To Other Funds	(30,905)	(34,905)	(65,810)	(13,027)
Total Contributions and Transfers	<u>\$ (5,905)</u>	<u>\$ (34,905)</u>	<u>\$ (40,810)</u>	<u>\$ 62,082</u>
CHANGE IN NET POSITION	<u>\$ (72,370)</u>	<u>\$ 25,581</u>	<u>\$ (46,789)</u>	<u>\$ 32,424</u>
NET POSITION – Beginning	<u>1,905,919</u>	<u>3,832,142</u>	<u>5,738,061</u>	<u>843,428</u>
NET POSITION – Ending	<u><u>\$ 1,833,549</u></u>	<u><u>\$ 3,857,723</u></u>	<u><u>\$ 5,691,272</u></u>	<u><u>\$ 875,852</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, 2022

	Water	Sewer	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 348,655	\$ 752,103	\$ 1,100,758	\$ 0
Cash received from interfund services provided	0	0	0	109,772
Cash payments to suppliers for goods and services	(136,522)	(230,807)	(367,329)	(51,818)
Cash payments to employees and professional contractors for services	(75,452)	(137,200)	(212,652)	(26,175)
Other operating receipts	33,387	25,847	59,234	11,132
Net cash provided (used) by operating activities	<u>\$ 170,068</u>	<u>\$ 409,943</u>	<u>\$ 580,011</u>	<u>\$ 42,911</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Contributions from other governments	\$ 0	\$ 0	\$ 0	\$ 14,625
Contributions from component units	25,000	0	25,000	0
Transfers from other funds	0	0	0	60,484
Transfers to other funds	(30,905)	(34,905)	(65,810)	(13,027)
Net cash provided (used) by non-capital financing activities	<u>\$ (5,905)</u>	<u>\$ (34,905)</u>	<u>\$ (40,810)</u>	<u>\$ 62,082</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	\$ (514)	\$ (211,307)	\$ (211,821)	\$ (243,211)
Principal paid on bonds and loans	(38,000)	(115,000)	(153,000)	0
Interest paid on bonds and loans	(79,735)	(109,850)	(189,585)	0
Net cash provided (used) by capital and related financing activities	<u>\$ (118,249)</u>	<u>\$ (436,157)</u>	<u>\$ (554,406)</u>	<u>\$ (243,211)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	\$ 2,108	\$ 4,031	\$ 6,139	\$ 469
Net cash provided (used) by investment activities	<u>\$ 2,108</u>	<u>\$ 4,031</u>	<u>\$ 6,139</u>	<u>\$ 469</u>
NET INCREASE (DECREASE) IN CASH	<u>\$ 48,022</u>	<u>\$ (57,088)</u>	<u>\$ (9,066)</u>	<u>\$ (137,749)</u>
CASH AND CASH EQUIVALENTS - Beginning	<u>869,749</u>	<u>1,734,953</u>	<u>2,604,702</u>	<u>425,827</u>
CASH AND CASH EQUIVALENTS - Ending	<u><u>\$ 917,771</u></u>	<u><u>\$ 1,677,865</u></u>	<u><u>\$ 2,595,636</u></u>	<u><u>\$ 288,078</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 10,964	\$ 166,805	\$ 177,769	\$ (30,127)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	164,544	251,983	416,527	75,490
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(1,713)	(11,312)	(13,025)	0
(Increase) decrease in due from other funds	0	(303)	(303)	0
(Increase) decrease in inventories	1,398	494	1,892	0
(Increase) decrease in prepaid expense	(238)	476	238	8
Increase (decrease) in accounts payable	(2,678)	3,436	758	(16,546)
Increase (decrease) in wages and benefits payable	(2,781)	(3,088)	(5,869)	(714)
Increase (decrease) in due to other funds	497	21	518	14,800
Increase (decrease) in customer deposits	0	0	0	0
Increase (decrease) in compensated absences	75	1,431	1,506	0
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 170,068</u></u>	<u><u>\$ 409,943</u></u>	<u><u>\$ 580,011</u></u>	<u><u>\$ 42,911</u></u>

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

CITY OF JONESVILLE
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2022

	Custodial Fund Current Tax Collection
ASSETS	
Cash	\$ 1,144
LIABILITIES	
Due to General Fund	\$ 1,058
Due to Others	86
Total Liabilities	\$ 1,144
NET POSITION	\$ 0

CITY OF JONESVILLE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

	Custodial Fund Current Tax Collection
ADDITIONS	
Collection of taxes for City of Jonesville and other governments	\$ 2,979,680
DEDUCTIONS	
Payment of taxes collected to City of Jonesville and other governments	2,979,680
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, 2022

	<u>DDA</u>	<u>LDFFA</u>	<u>Total Component Units</u>
ASSETS			
Current Assets			
Cash	\$ 5,550	\$ 3,217	\$ 8,767
Investments	65,565	2,701,126	2,766,691
Prepaid Expense	126	0	126
Total Current Assets	<u>\$ 71,241</u>	<u>\$ 2,704,343</u>	<u>\$ 2,775,584</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>\$ 71,241</u>	<u>\$ 2,801,887</u>	<u>\$ 2,873,128</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 2,991	\$ 622	\$ 3,613
Due to Primary Government	6	250	256
Accrued Payroll	125	10	135
Unearned Revenue	0	1,284	1,284
Total Liabilities	<u>\$ 3,122</u>	<u>\$ 2,166</u>	<u>\$ 5,288</u>
NET POSITION			
Net Investment in Capital Assets	\$ 0	\$ 97,544	\$ 97,544
Unrestricted	68,119	2,702,177	2,770,296
Total Net Position	<u>\$ 68,119</u>	<u>\$ 2,799,721</u>	<u>\$ 2,867,840</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
 COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 FOR THE YEAR ENDED JUNE 30, 2022

	DDA	LDFA	Total Component Units
EXPENSES			
Downtown Development	\$ 93,587	\$ 0	\$ 93,587
Industrial Development	0	23,542	23,542
Contributions to City activities	136,321	60,798	197,119
Total Expenses	<u>\$ 229,908</u>	<u>\$ 84,340</u>	<u>\$ 314,248</u>
PROGRAM REVENUE			
Charges for Services	\$ 15,000	\$ 0	\$ 15,000
Operating Grants and Contributions	15,000	0	15,000
Capital Grants and Contributions	0	0	0
Total Program Revenue	<u>\$ 30,000</u>	<u>\$ 0</u>	<u>\$ 30,000</u>
NET (EXPENSE) REVENUE	<u>\$ (199,908)</u>	<u>\$ (84,340)</u>	<u>\$ (284,248)</u>
GENERAL REVENUE			
Property Taxes Captured	\$ 144,952	\$ 388,784	\$ 533,736
Rent Income	0	22,652	22,652
Investment Income	291	6,628	6,919
Other Income	0	550	550
Total General Revenue	<u>\$ 145,243</u>	<u>\$ 418,614</u>	<u>\$ 563,857</u>
CHANGE IN NET POSITION	<u>\$ (54,665)</u>	<u>\$ 334,274</u>	<u>\$ 279,609</u>
NET POSITION – Beginning	<u>122,784</u>	<u>2,465,447</u>	<u>2,588,231</u>
NET POSITION - Ending	<u><u>\$ 68,119</u></u>	<u><u>\$ 2,799,721</u></u>	<u><u>\$ 2,867,840</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, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Jonesville comprises a population of approximately 2,176 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, 2022

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, 2022

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, 2022

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, 2022

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, 2022

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

Deposits

Following are the components of the City’s bank deposits at June 30, 2022:

	Primary Government	Component Units
Cash on hand	\$ 450	\$ 0
Checking and savings accounts	178,900	8,767
	\$ 179,350	\$ 8,767

Investments

Following are the components of the City’s investments at June 30, 2022:

MBIA CLASS Investment Pool	\$ 6,108,195	\$ 2,766,691
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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, 2022, 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, 2022, the carrying amount of the City’s deposits was \$187,667 and the bank balance was \$362,771. Of the balance \$250,000 was covered by federal depository insurance and \$112,771 was uninsured. 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, 2022, 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, 2022

NOTE 4 – RECEIVABLES (continued)

A summary of the principal items of receivables follows:

	General Fund	Major Street	Local Street	Proprietary Funds	Total
State Revenue Sharing	\$ 48,105	\$ 38,947	\$ 12,140	\$ 0	\$ 99,192
Property Taxes	15,139	0	0	0	15,139
Utility customers	0	0	0	20,452	20,452
Other Receivables	46,774	0	1,178	9,167	57,119
Total	<u>\$ 110,018</u>	<u>\$ 38,947</u>	<u>\$ 13,318</u>	<u>\$ 29,619</u>	<u>\$ 191,902</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022, 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	\$ 186,599	\$ 8,363	\$ 0	\$ 194,962
Buildings & Improvements	967,012	446,198	0	1,413,210
Furniture & Equipment	996,169	171,052	0	1,167,221
Vehicles	1,436,022	239,803	(192,631)	1,483,194
Infrastructure	7,068,223	78,289	0	7,146,512
Less accumulated depreciation	(5,505,936)	(445,642)	192,631	(5,758,947)
Total capital assets being depreciated, net	<u>\$ 5,148,089</u>	<u>\$ 498,063</u>	<u>\$ 0</u>	<u>\$ 5,646,152</u>
Total capital assets, net	<u>\$ 5,353,084</u>	<u>\$ 498,063</u>	<u>\$ 0</u>	<u>\$ 5,851,147</u>
<u>Business-Type Activities</u>				
Capital assets not being depreciated				
Land	\$ 2,061	\$ 0	\$ 0	\$ 2,061
Capital assets being depreciated				
Facilities & Mains	\$ 16,821,267	\$ 202,378	\$ 0	\$ 17,023,645
Machinery & Equipment	1,050,525	9,441	0	1,059,966
Less accumulated depreciation	(9,458,567)	(416,527)	0	(9,875,094)
Total capital assets being depreciated, net	<u>\$ 8,413,225</u>	<u>\$ (204,708)</u>	<u>\$ 0</u>	<u>\$ 8,208,517</u>
Total capital assets, net	<u>\$ 8,415,286</u>	<u>\$ (204,708)</u>	<u>\$ 0</u>	<u>\$ 8,210,578</u>
PRIMARY GOVERNMENT				
Total capital assets, net	<u>\$ 13,768,370</u>	<u>\$ 293,355</u>	<u>\$ 0</u>	<u>\$ 14,061,725</u>
COMPONENT UNITS				
Capital assets not being depreciated				
Land	<u>\$ 97,544</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 97,544</u>

CITY OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 - CAPITAL ASSETS (continued)

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

Governmental Activities:		Business-Type Activities:	
General Government	\$ 38,784	Water	\$ 164,544
Public Safety	98,417	Sewer	251,893
Public Improvements	48,600	Total	<u>\$ 416,437</u>
Streets, Highways and Drains	207,114		
Culture and Recreation	22,422		
Unallocated	30,305		
Total	<u>\$ 445,642</u>		

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at June 30, 2022, is as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General Fund	\$ 133	State Highway	\$ 133
General Fund	96	Major Street	96
General Fund	21	Sewer	21
General Fund	522	Water	522
General Fund	14,800	Motor Vehicle Pool	14,800
General Fund	1,058	Current Tax	1,058
Local Streets	10,732	General Fund	10,732
Sewer	303	General Fund	303
	<u>\$ 27,665</u>		<u>\$ 27,665</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	\$ 12,726	\$ 63,966	\$ 3,126	\$ 28,905	\$ 28,905	\$ 13,027	\$ 150,655
Local Streets	220,086	0	0	0	0	0	0	220,086
Debt Service	0	0	65,820	0	0	0	0	65,820
Motor Vehicle Pool	52,484	0	0	0	2,000	6,000	0	60,484
Total	<u>\$ 272,570</u>	<u>\$ 12,726</u>	<u>\$ 129,786</u>	<u>\$ 3,126</u>	<u>\$ 30,905</u>	<u>\$ 34,905</u>	<u>\$ 13,027</u>	<u>\$ 497,045</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, 2022

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.

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, 2022:

	Balance 6/30/2021	Increases	Decreases	Balance 6/30/2022
Primary Government				
<i>Governmental Activities</i>				
North Parking Lot Bonds	\$ 162,000	\$ 0	\$ (52,000)	\$ 110,000
East Street Bonds	120,000	0	(60,000)	60,000
Compensated Absences	67,040	0	(5,243)	61,797
Total Governmental Activities	<u>\$ 349,040</u>	<u>\$ 0</u>	<u>\$ (117,243)</u>	<u>\$ 231,797</u>
<i>Business-type Activities</i>				
Refunding Bonds – Sewer Fund	\$ 2,710,000	\$ 0	\$ (115,000)	\$ 2,595,000
Revenue Bonds - Water Fund	2,551,528	0	(38,000)	2,513,528
Compensated Absences	18,201	1,506	0	19,707
Total Business-type Activities	<u>\$ 5,279,729</u>	<u>\$ 1,506</u>	<u>\$ (153,000)</u>	<u>\$ 5,128,235</u>
Total Primary Government Long-Term Debt	<u>\$ 5,628,769</u>	<u>\$ 1,506</u>	<u>\$ (270,243)</u>	<u>\$ 5,360,032</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	\$ 54,000
East Street Bonds	3.00% - 4.90%	5/1/2023	60,000
Refunding Bonds – Sewer Fund	2.00% - 4.15%	1/1/2038	120,000
Revenue Bonds – Water Fund	3.125%	5/1/2059	39,000
			<u>\$ 273,000</u>

CITY OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 - LONG-TERM DEBT (continued)

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	0	0	184,000	165,464
2028-2032	0	0	1,024,000	717,662
2033-2037	0	0	1,243,000	502,430
2038-2042	0	0	545,000	289,251
2043-2047	0	0	385,000	224,969
2048-2052	0	0	449,000	160,938
2053-2057	0	0	524,000	86,219
2058-2059	0	0	90,528	10,844
Total	<u>\$ 170,000</u>	<u>\$ 9,526</u>	<u>\$ 5,108,528</u>	<u>\$ 2,883,264</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	\$ 28,728
Street light electricity	5,304	Parking Lot Maintenance	16,500
Other	1,365	Capital Outlay	28,681
		Other	4,090
 <u>Water Fund</u>		 <u>Debt Service Fund</u>	
Debt service	<u>25,000</u>	Bond payments	<u>58,322</u>
TOTAL	<u>\$ 60,795</u>	TOTAL	<u>\$ 136,321</u>

NOTE 9 - COMPENSATED ABSENCES

Vested or accumulated vacation days and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. The entire compensated absence liability is reported on the government-wide financial statements. Employees of the City can accumulate vacation pay up to a maximum of 16 to 39 days depending on years of service, and employees have a vested right of 100% of allowable accumulated vacation pay upon termination. Accumulated sick time is vested based on years of service and the vested amount is payable upon termination.

CITY OF JONESVILLE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022

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 2021 was 16.388 mills. From this total, 4.6823 was transferred to the Local Streets Fund by vote of the City Council. The 2021 total state taxable value was approximately \$58,503,000 (\$54,655,000 ad valorem and \$3,848,000 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 2021-22 is as follows:

Asset Value - June 30, 2021	\$ 2,571,477
Employer Contributions	37,891
Employee Contributions	40,128
Investment Gain (Loss)	(364,779)
Distributions	<u>(12,162)</u>
Asset Value - June 30, 2022	<u><u>\$ 2,272,555</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.

CITY OF JONESVILLE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2022

NOTE 15 – FUND BALANCE CONSTRAINTS

Fund balances have been constrained for the following purposes:

	General Fund	Major Streets	Local Streets	State Highway
Nonspendable:				
Inventory	\$ 4,193	\$ 0	\$ 0	\$ 0
Prepaid Expenditures	9,130	0	0	0
Restricted:				
Streets	0	605,362	674,754	16,228

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 \$31,872.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 9, 2022, the date on which the financial statements were available to be issued.

NOTE 18 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the City implemented the following new pronouncement: Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 was issued in June 2017, and the objective of this 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 of resources and 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 the governments’ leasing activities. There was no material impact on the City’s financial statements after the adoption of GASB Statement No. 87.

NOTE 19 – GLOBAL PANDEMIC

The COVID-19 pandemic continued in 2021-22, 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, 2022

NOTE 20 – UPCOMING ACCOUNTING PRONOUNCEMENTS

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used by not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

CITY OF JONESVILLE
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
REVENUE				
Property Taxes	\$ 763,642	\$ 819,642	\$ 805,155	\$ (14,487)
Licenses and Permits	1,570	1,570	829	(741)
State Shared Revenue	240,214	240,214	284,483	44,269
Grants	172,821	655,000	422,571	(232,429)
Charges and Fees	72,150	72,150	85,841	13,691
Recreation	22,500	22,500	22,062	(438)
Rents and Royalties	25,000	25,000	24,789	(211)
Cemetery Revenue	22,000	22,000	22,547	547
Contributions	2,500	2,500	17,121	14,621
Interest	2,500	2,500	5,404	2,904
Contributions from Component Units	84,330	84,330	113,794	29,464
Miscellaneous	0	0	21,017	21,017
Total Revenue	<u>\$ 1,409,227</u>	<u>\$ 1,947,406</u>	<u>\$ 1,825,613</u>	<u>\$ (121,793)</u>
EXPENDITURES				
General Government				
City Council	\$ 24,600	\$ 24,600	\$ 20,506	\$ (4,094)
City Manager	117,942	121,910	121,084	(826)
Elections	100	3,715	3,706	(9)
General Office	230,725	240,025	239,972	(53)
Board of Review	875	875	805	(70)
Treasurer	3,250	3,750	3,513	(237)
Assessor	22,100	22,100	21,884	(216)
Data Processing	12,525	13,950	13,893	(57)
City Hall	17,777	20,877	19,640	(1,237)
Cemetery	69,073	72,573	72,188	(385)
Freedom Memorial	1,900	1,900	746	(1,154)
Fringe Benefits	32,820	45,570	45,462	(108)
Insurance	16,000	14,800	14,401	(399)

CITY OF JONESVILLE
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022
(continued)

	Budget Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Public Safety				
Police	280,784	282,298	253,666	(28,632)
Fire	108,167	148,317	132,323	(15,994)
Economic & Community Development				
Planning & Zoning	11,596	11,596	4,131	(7,465)
Public Works				
Parking Lots	13,990	21,490	18,192	(3,298)
Sidewalks	1,430	7,830	6,400	(1,430)
Other	18,420	24,520	24,430	(90)
Streets, Highways, and Drains				
Street Lighting	33,000	33,000	32,204	(796)
Sanitation				
Landfill	8,115	8,115	620	(7,495)
Culture and Recreation				
Recreation	44,865	44,865	30,069	(14,796)
Parks	14,975	21,375	18,876	(2,499)
Rail/Trail	7,395	8,595	7,085	(1,510)
Capital Outlay	237,242	625,831	624,457	(1,374)
Total Expenditures	<u>\$ 1,329,666</u>	<u>\$ 1,824,477</u>	<u>\$ 1,730,253</u>	<u>\$ (94,224)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 79,561</u>	<u>\$ 123,379</u>	<u>\$ 95,360</u>	<u>\$ (27,569)</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	\$ 144,315	\$ 149,529	\$ 150,654	\$ 1,125
Insurance Proceeds	0	339,000	339,276	276
Operating Transfers Out	(245,000)	(583,000)	(566,570)	16,430
Total Other	<u>\$ (100,685)</u>	<u>\$ (94,471)</u>	<u>\$ (76,640)</u>	<u>\$ 17,831</u>
NET CHANGE IN FUND BALANCES	<u>\$ (21,124)</u>	<u>\$ 28,908</u>	<u>\$ 18,720</u>	<u>\$ (9,738)</u>
FUND BALANCES - Beginning	<u>1,814,830</u>	<u>1,814,830</u>	<u>1,814,830</u>	<u>0</u>
FUND BALANCES - Ending	<u><u>\$ 1,793,706</u></u>	<u><u>\$ 1,843,738</u></u>	<u><u>\$ 1,833,550</u></u>	<u><u>\$ (9,738)</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, 2022

	Budget Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
REVENUE				
State Shared Revenue	\$ 253,779	\$ 253,779	\$ 261,739	\$ 7,960
Interest	500	500	1,245	745
Grants	375,000	375,000	0	(375,000)
Miscellaneous	0	0	0	0
Total Revenue	<u>\$ 629,279</u>	<u>\$ 629,279</u>	<u>\$ 262,984</u>	<u>\$ (366,295)</u>
EXPENDITURES				
Street Construction	\$ 450,000	\$ 450,000	\$ 67,247	\$ (382,753)
Routine Maintenance	124,990	124,990	62,636	(62,354)
Traffic Control	4,400	4,400	809	(3,591)
Winter Maintenance	22,915	22,915	14,007	(8,908)
Total Expenditures	<u>\$ 602,305</u>	<u>\$ 602,305</u>	<u>\$ 144,699</u>	<u>\$ (457,606)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 26,974</u>	<u>\$ 26,974</u>	<u>\$ 118,285</u>	<u>\$ 91,311</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 5,000	\$ 5,000	\$ 0	\$ (5,000)
Transfers Out	(12,726)	(12,726)	(12,726)	0
Total Other Financing Sources (Uses)	<u>\$ (7,726)</u>	<u>\$ (7,726)</u>	<u>\$ (12,726)</u>	<u>\$ (5,000)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 19,248</u>	<u>\$ 19,248</u>	<u>\$ 105,559</u>	<u>\$ 86,311</u>
FUND BALANCES - Beginning	<u>499,803</u>	<u>499,803</u>	<u>499,803</u>	<u>0</u>
FUND BALANCES - Ending	<u><u>\$ 519,051</u></u>	<u><u>\$ 519,051</u></u>	<u><u>\$ 605,362</u></u>	<u><u>\$ 86,311</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, 2022

	Budget Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
REVENUE				
State Shared Revenue	\$ 79,590	\$ 79,590	\$ 81,654	\$ 2,064
Grants	0	0	0	0
Interest	800	800	1,607	807
Miscellaneous	0	0	874	874
Total Revenue	<u>\$ 80,390</u>	<u>\$ 80,390</u>	<u>\$ 84,135</u>	<u>\$ 3,745</u>
EXPENDITURES				
Street Construction	\$ 0	\$ 6,000	\$ 5,950	\$ (50)
Routine Maintenance	80,970	80,970	53,795	(27,175)
Traffic Control	2,314	2,314	432	
Winter Maintenance	18,480	18,480	13,051	(5,429)
Administration	0	500	217	(283)
Total Expenditures	<u>\$ 101,764</u>	<u>\$ 108,264</u>	<u>\$ 73,445</u>	<u>\$ (32,937)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (21,374)</u>	<u>\$ (27,874)</u>	<u>\$ 10,690</u>	<u>\$ 38,564</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 209,000	\$ 209,000	\$ 220,085	\$ 11,085
Transfers Out	(129,786)	(129,786)	(129,786)	0
Total Other Financing Sources (Uses)	<u>\$ 79,214</u>	<u>\$ 79,214</u>	<u>\$ 90,299</u>	<u>\$ 11,085</u>
NET CHANGE IN FUND BALANCES	<u>\$ 57,840</u>	<u>\$ 51,340</u>	<u>\$ 100,989</u>	<u>\$ 49,649</u>
FUND BALANCES - Beginning	<u>573,765</u>	<u>573,765</u>	<u>573,765</u>	<u>0</u>
FUND BALANCES - Ending	<u><u>\$ 631,605</u></u>	<u><u>\$ 625,105</u></u>	<u><u>\$ 674,754</u></u>	<u><u>\$ 49,649</u></u>

CITY OF JONESVILLE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2022

	Debt Service Fund	State Highway Fund	Total
ASSETS			
Cash	\$ 0	\$ 18,052	\$ 18,052
Due from Other Governmental Units	0	0	0
Total Assets	<u>\$ 0</u>	<u>\$ 18,052</u>	<u>\$ 18,052</u>
LIABILITIES			
Due to Other Funds	\$ 0	\$ 133	\$ 133
Accounts Payable	0	1,691	1,691
Total Liabilities	<u>\$ 0</u>	<u>\$ 1,824</u>	<u>\$ 1,824</u>
FUND BALANCE			
Nonspendable	\$ 0	\$ 0	\$ 0
Restricted	0	16,228	16,228
Committed	0	0	0
Assigned	0	0	0
Unassigned	0	0	0
Total Fund Balances	<u>\$ 0</u>	<u>\$ 16,228</u>	<u>\$ 16,228</u>
Total Liabilities and Fund Balances	<u>\$ 0</u>	<u>\$ 18,052</u>	<u>\$ 18,052</u>

CITY OF JONESVILLE
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Debt Service Fund	State Highway Fund	Total
REVENUE			
State Highway Contract	\$ 0	\$ 32,202	\$ 32,202
Contribution from Component Units	58,322	0	58,322
Interest Income	0	1	1
Total Revenue	<u>\$ 58,322</u>	<u>\$ 32,203</u>	<u>\$ 90,525</u>
EXPENDITURES			
Streets, Highways, Drains			
Routine Maintenance	\$ 0	\$ 19,964	\$ 19,964
Traffic Control	0	112	112
Winter Maintenance	0	8,875	8,875
Debt Service			
Principal	112,000	0	112,000
Interest	12,142	0	12,142
Total Expenditures	<u>\$ 124,142</u>	<u>\$ 28,951</u>	<u>\$ 153,093</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (65,820)</u>	<u>\$ 3,252</u>	<u>\$ (62,568)</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	\$ 65,820	\$ 0	\$ 65,820
Operating Transfers Out	0	(3,126)	(3,126)
Total Other Financing Sources (Uses)	<u>\$ 65,820</u>	<u>\$ (3,126)</u>	<u>\$ 62,694</u>
NET CHANGES IN FUND BALANCES	<u>\$ 0</u>	<u>\$ 126</u>	<u>\$ 126</u>
FUND BALANCES - Beginning	0	16,102	16,102
FUND BALANCES - Ending	<u><u>\$ 0</u></u>	<u><u>\$ 16,228</u></u>	<u><u>\$ 16,228</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, 2022, 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 November 9, 2022.

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

November 9, 2022