

VILLAGE OF JONESVILLE

AUDIT REPORT

JUNE 30, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF JONESVILLE	County HILLSDALE
Fiscal Year End 6-30-2007	Opinion Date 10-11-2007	Date Audit Report Submitted to State 10-19-2007	

We affirm that:

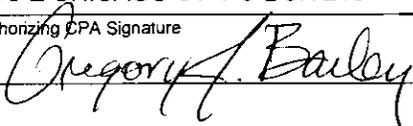
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | | |
|------------|-----------|--|
| YES | NO | Check each applicable box below. (See instructions for further detail.) |
|------------|-----------|--|
1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 4. The local unit has adopted a budget for all required funds.
 5. A public hearing on the budget was held in accordance with State statute.
 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 8. The local unit only holds deposits/investments that comply with statutory requirements.
 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 11. The local unit is free of repeated comments from previous years.
 12. The audit opinion is UNQUALIFIED.
 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 14. The board or council approves all invoices prior to payment as required by charter or statute.
 15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input type="checkbox"/>	NO COMMENTS MADE
Other (Describe)	<input type="checkbox"/>	
Certified Public Accountant (Firm Name) BAILEY, HODSHIRE & COMPANY, PC		Telephone Number (517) 849-2410
Street Address 479 E CHICAGO ST PO BOX 215		City JONESVILLE
		State MI
		Zip 49250
Authorizing CPA Signature 	Printed Name GREGORY J BAILEY	License Number 1101022915

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

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INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Jonesville
Jonesville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Jonesville, as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Jonesville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Jonesville, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2007, on our consideration of Village of Jonesville's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Village Council
Village of Jonesville

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 32 through 34, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Jonesville's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bailey Hodshure + Company, P.C.
Jonesville, Michigan
October 11, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2007

Introduction

The Village of Jonesville (Village) implemented GASB 34 requirements with 2004's audit. GASB 34 was adopted by the Governmental Accounting Standards Board (GASB) in their *Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June, 1999.

This section of the annual financial report presents management's discussion and analysis of the Village's financial performance during the year ended June 30, 2007. Please read it in conjunction with the Village's financial statements, which immediately follow this section.

Financial Highlights

- The Village's assets exceeded its liabilities by \$9,766,403 (net assets) at the close of this fiscal year. Net assets at the beginning of the fiscal year totaled \$9,551,815, showing an increase of \$214,588 during the current year.
- The Village's governmental funds reported total ending fund balance of \$1,471,556, of which \$1,411,279 is unreserved and undesignated and available for spending at the Village's discretion. This compares to the prior year ending fund balance of \$1,867,946, showing a \$396,390 decrease during the current year.
- At the end of the current year, unreserved fund balance for the General Fund was \$718,229, or 60% of total General Fund expenditures. This is a decrease of \$188,201 from last year's ending fund balance.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the Village's basic financial statements. The basic financial statements include: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Village also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, similar to that found in private sector business.

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

Statement of Activities - This reports how the Village's net assets changed during the fiscal year. All current year revenues and expenses are included regardless of when the cash is received or paid. An important purpose of this statement is to show the financial reliance of the Village's distinct activities or functions on revenues provided by the taxpayers.

Both of the above statements distinguish governmental activities from business-type activities. Governmental activities include general government, public safety, public services, zoning, and recreation, and are principally supported by property taxes and revenues from other governments. Business-type activities include water and sewer, and are intended to recover all or a significant portion of their costs through user fees and charges.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2007

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the Village's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, these statements report short-term fiscal accountability focusing on the use of expendable resources during the year and balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide reconciliations to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included as required supplementary information for the general fund and major special revenue funds. These statements and schedules demonstrate compliance with the Village's adopted and final revised budget.

Proprietary Funds generally report services for which the Village charges customers a fee. There are two types of proprietary funds: Enterprise Funds and Internal Service Funds. Enterprise Funds are used to report functions presented as business-type activities, while Internal Service Funds primarily service the governmental unit and are included with governmental activities. The Water and Sewer Funds are Enterprise Funds, and the Motor Vehicle Pool is an Internal Service Fund.

Fiduciary Funds such as the imprest payroll fund are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund Village Programs.

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

Other Supplementary Information can be found immediately following the notes to the financial statements. This information includes statements for non-major governmental funds.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the Village's financial position. The Village's assets exceeded its liabilities by \$9,766,403 (net assets) at the close of this fiscal year. Net assets at the beginning of the fiscal year totaled \$9,551,815, showing an increase of \$214,588 over the prior year. The following table provides a summary of the Village's net assets:

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2007

NET ASSETS

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current Assets	\$ 1,876,229	\$ 2,197,785	\$ 1,199,109	\$ 1,336,272	\$ 3,075,338	\$ 3,534,057
Non-current Assets	<u>2,824,339</u>	<u>1,929,299</u>	<u>10,286,423</u>	<u>10,539,065</u>	<u>13,110,762</u>	<u>12,468,364</u>
Total Assets	<u>\$ 4,700,568</u>	<u>\$ 4,127,084</u>	<u>\$11,485,532</u>	<u>\$11,875,337</u>	<u>\$16,186,100</u>	<u>\$16,002,421</u>
Current Liabilities	\$ 158,114	\$ 131,683	\$ 238,054	\$ 250,617	\$ 396,168	\$ 382,300
Non-current Liabilities	<u>665,002</u>	<u>710,427</u>	<u>5,358,527</u>	<u>5,518,552</u>	<u>6,023,529</u>	<u>6,228,979</u>
Total Liabilities	<u>\$ 823,116</u>	<u>\$ 842,110</u>	<u>\$ 5,596,581</u>	<u>\$ 5,769,169</u>	<u>\$ 6,419,697</u>	<u>\$ 6,611,279</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	\$ 2,234,446	\$ 1,268,827	\$ 4,755,515	\$ 4,913,897	\$ 6,989,961	\$ 6,182,724
Restricted	60,277	58,771	648,857	536,347	709,134	595,118
Unrestricted	<u>1,582,729</u>	<u>1,957,376</u>	<u>484,579</u>	<u>655,924</u>	<u>2,067,308</u>	<u>2,613,300</u>
Total Net Assets	<u>\$ 3,877,452</u>	<u>\$ 3,284,974</u>	<u>\$ 5,888,951</u>	<u>\$ 6,106,168</u>	<u>\$ 9,766,403</u>	<u>\$ 9,391,142</u>
Total Liabilities and Net Assets	<u>\$ 4,700,568</u>	<u>\$ 4,127,084</u>	<u>\$11,485,532</u>	<u>\$11,875,337</u>	<u>\$16,186,100</u>	<u>\$16,002,421</u>

The Village reported positive balances in net assets for both governmental and business-type activities. Net assets increased \$431,805 for governmental activities and decreased \$217,217 for business-type activities; therefore, the Village's overall financial position improved during fiscal year 2007.

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

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2007

CHANGES IN NET ASSETS

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u> <u>Primary</u> <u>Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Program Revenue						
Charges for Services	\$ 62,213	\$ 64,484	\$ 833,444	\$ 836,336	\$ 895,657	\$ 900,820
Operating Grants and Contributions	257,885	216,936	0	0	257,885	216,936
Capital Grants and Contributions	0	629,494	0	680,800	0	1,310,294
General Revenue						
Property Taxes	755,441	712,670	0	0	755,441	712,670
State Shared Revenue	230,555	236,700	0	0	230,555	236,700
Unrestricted Investment Income	90,200	0	48,354	0	138,554	0
Payments from Component Units	117,085	176,696	56,869	58,590	173,954	235,286
Capital Assets Transferred from Component Units	221,015	0	0	0	221,015	0
Other	<u>23,821</u>	<u>232,189</u>	<u>16,755</u>	<u>147,517</u>	<u>40,576</u>	<u>379,706</u>
Total Revenue	<u>\$ 1,758,215</u>	<u>\$ 2,269,169</u>	<u>\$ 955,422</u>	<u>\$ 1,723,243</u>	<u>\$ 2,713,637</u>	<u>\$ 3,992,412</u>
Expenses						
General Government	\$ 502,355	\$ 585,984	\$ 0	\$ 0	\$ 502,355	\$ 585,984
Public Safety	427,016	330,097	0	0	427,016	330,097
Public Improvements	24,376	13,377	0	0	24,376	13,377
Streets, Highways, Drains	243,316	179,828	0	0	243,316	179,828
Sanitation	2,831	7,123	0	0	2,831	7,123
Culture & Recreation	60,230	33,522	0	0	60,230	33,522
Interest on Long-Term Debt	32,092	35,203	0	0	32,092	35,203
Depreciation - Unallocated	34,194	147,641	0	0	34,194	147,641
Water Utility	0	0	306,100	315,994	306,100	315,994
Sewer Utility	<u>0</u>	<u>0</u>	<u>866,539</u>	<u>762,741</u>	<u>866,539</u>	<u>762,741</u>
Total Expenses	<u>\$ 1,326,410</u>	<u>\$ 1,332,775</u>	<u>\$ 1,172,639</u>	<u>\$ 1,078,735</u>	<u>\$ 2,499,049</u>	<u>\$ 2,411,510</u>
INCREASE IN NET ASSETS	<u>\$ 431,805</u>	<u>\$ 936,394</u>	<u>\$ (217,217)</u>	<u>\$ 644,508</u>	<u>\$ 214,588</u>	<u>\$ 1,580,902</u>

Governmental Activities increased the Village's net assets by \$431,805, which represents a decrease from last year's change in net assets.

Revenues from governmental activities totaled \$1,758,215. Property tax revenue represented the largest portion of those revenues (42.9%), operating grants and contributions was 14.7%, and state shared revenue was 13.1% of the total.

The largest components of governmental activities' expenses were general government (37.8%), public safety (31.9%), and streets, highways, and drains (18.3%). General government consists of Village Council, Administration, Zoning, Planning, Motor Vehicle Pool, etc. Public safety includes police and fire.

Business-type Activities decreased the Village's net assets by \$217,217. Net assets will be used to repay debt on the sewer plant improvements, as well as planning for future improvements in the water and sewer systems. The decrease in net assets is a result of debt payments and capital improvement.

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2007

Governmental Funds - The focus of the Village's governmental funds is to provide information on short-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved 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, 2007, the Village's governmental funds reported combined ending fund balances of \$1,471,556. Of this total, approximately 96% was unreserved, indicating availability for continuing Village service requirements. Although a substantial amount is unreserved, a portion of the fund balances has been designated for subsequent year's projects, such as the development of East Street, and other projects. Reserved fund balance represents the amount designated to repay debt through the Debt Service Fund.

The General Fund is the primary operating fund of the Village. At the end of the current fiscal year, the General Fund showed a very healthy fund balance of \$718,229. The other Major Governmental Funds include Major Streets and Local Streets. Non-major governmental funds included the Debt Service and State Highway funds. Most of these funds showed a decrease in fund balance for the current fiscal year. The General Fund decrease is due to the purchase of the Police building. The Major and Local Streets decrease is due to many streets being repaired.

Proprietary Funds - The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The Village's proprietary funds consist of the Water Fund, Sewer Fund, and the Motor Vehicle Pool. Total net assets of the Water and Sewer Funds were \$5,888,951 at June 30, 2007, a decrease of \$217,217 from the previous fiscal year. The Motor Vehicle Pool's net assets at the end of this fiscal year were \$758,057, an improvement of \$24,367 over the previous fiscal year.

Major Governmental Funds Budgeting and Operating Highlights

General Fund - The difference between the original and final amended budget for the General Fund revenues was \$990,000, with the original budget being \$2,027,100, and the final budget being \$1,037,100. The difference between the two numbers includes a decrease of \$990,000 in Grants. The original budget included a grant to refurbish the Village Hall, and Village officials chose not to pursue that project. The difference between the appropriations originally budgeted and the final appropriations budget was \$1,035,306 (\$2,423,026 vs. \$1,387,720). General government expenditures increased by \$70,380; public safety decreased by \$5,402; public improvements increased by \$2,650; and culture and recreation increased by \$2,760 (due to G. Carl Fast Park improvements).

Village of Jonesville, Michigan
Management's Discussion and Analysis (MD&A)
For the year ended June 30, 2007

Capital Asset and Debt Administration

Capital assets at year-end were as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Primary Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 65,204	\$ 35,204	\$ 2,061	\$ 2,061	\$ 67,265	\$ 37,265
Land Improvements	48,879	44,260	0	0	48,879	44,260
Buildings and Improvements	723,019	571,731	0	0	723,019	571,731
Facilities and Mains	0	0	14,102,380	14,019,924	14,102,380	14,019,924
Construction in Progress	0	0	0	0	0	0
Furniture and Equipment	539,561	463,996	458,924	449,604	998,485	913,600
Vehicles	990,135	968,854	8,138	8,138	998,273	976,992
Infrastructure	1,652,502	1,023,555	0	0	1,652,502	1,023,555
Less: Acc. Depreciation	<u>(1,194,961)</u>	<u>(1,017,628)</u>	<u>(4,310,080)</u>	<u>(3,940,662)</u>	<u>(5,505,041)</u>	<u>(4,958,290)</u>
Total Capital Assets, Net Of Depreciation	<u>\$ 2,824,339</u>	<u>\$ 2,089,972</u>	<u>\$10,261,423</u>	<u>\$10,539,065</u>	<u>\$13,085,762</u>	<u>\$12,629,037</u>

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Primary Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General Government	\$ 585,000	\$ 655,000	\$ 0	\$ 0	\$ 585,000	\$ 655,000
Revenue Bonds	0	0	4,379,000	4,462,000	4,379,000	4,462,000
County Contract	0	0	1,140,000	1,150,000	1,140,000	1,150,000
Total Long-Term Debt	<u>\$ 585,000</u>	<u>\$ 655,000</u>	<u>\$ 5,519,000</u>	<u>\$ 5,612,000</u>	<u>\$ 6,104,000</u>	<u>\$ 6,267,000</u>

Factors Bearing on the Village's Future

As homes continue to change hands in Jonesville, taxable values will continue to rise, increasing property tax revenues. There was no change in property tax millages for fiscal year 2007-08.

We continue to depend on state revenue sharing and investment income as major funding sources for the Village. As the state cuts revenue, we will continue to strive to cut expenditures, and strive not to cut services.

The major focus for the 2007-08 fiscal year is to upgrade many of our streets. Some of the streets to be improved include East Street and Gaige Street.

Contacting the Village's Financial Management

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

BASIC FINANCIAL STATEMENTS

VILLAGE OF JONESVILLE
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 207,887	\$ 175,062	\$ 382,949	\$ 67,474
Investments	1,523,675	1,005,982	2,529,657	1,158,263
Accounts Receivable	3,025	18,340	21,365	36,645
Internal Balances	6,228	(6,228)	0	0
Due from Other Governmental Units	105,286	0	105,286	0
Inventory	2,538	4,132	6,670	0
Prepaid Expense	27,590	1,821	29,411	25
Total Current Assets	<u>\$ 1,876,229</u>	<u>\$ 1,199,109</u>	<u>\$ 3,075,338</u>	<u>\$ 1,262,407</u>
Noncurrent Assets				
Capital Assets				
Contract Refinancing Costs	\$ 0	\$ 25,000	\$ 25,000	\$ 0
Land	65,204	2,061	67,265	97,544
Land Improvements	48,879	0	48,879	0
Buildings & Improvements	723,019	0	723,019	0
Facilities & Mains	0	14,102,380	14,102,380	0
Furniture & Equipment	539,561	458,924	998,485	0
Vehicles	990,135	8,138	998,273	0
Infrastructure	1,652,502	0	1,652,502	0
Less: Accumulated Depreciation	<u>(1,194,961)</u>	<u>(4,310,080)</u>	<u>(5,505,041)</u>	<u>0</u>
Total Noncurrent Assets	<u>\$ 2,824,339</u>	<u>\$ 10,286,423</u>	<u>\$ 13,110,762</u>	<u>\$ 97,544</u>
Total Assets	<u>\$ 4,700,568</u>	<u>\$ 11,485,532</u>	<u>\$ 16,186,100</u>	<u>\$ 1,359,951</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 66,868	\$ 18,309	\$ 85,177	\$ 44,983
Deferred Revenue	0	0	0	5,440
Salaries Payable	11,353	3,157	14,510	0
Customer Deposits	0	400	400	0
Interest Payable	4,893	20,188	25,081	0
Current Portion of Long-Term Debt	75,000	196,000	271,000	0
Total Current Liabilities	<u>\$ 158,114</u>	<u>\$ 238,054</u>	<u>\$ 396,168</u>	<u>\$ 50,423</u>
Noncurrent Liabilities				
Bonds, County Contract	\$ 510,000	\$ 5,323,000	\$ 5,833,000	\$ 0
Less: Bond Discount	0	(8,280)	(8,280)	0
Compensated Absences	155,002	43,807	198,809	0
Total Noncurrent Liabilities	<u>\$ 665,002</u>	<u>\$ 5,358,527</u>	<u>\$ 6,023,529</u>	<u>\$ 0</u>
Total Liabilities	<u>\$ 823,116</u>	<u>\$ 5,596,581</u>	<u>\$ 6,419,697</u>	<u>\$ 0</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 2,234,446	\$ 4,755,515	\$ 6,989,961	\$ 97,544
Restricted for: Replacement	0	302,930	302,930	0
Debt Service	60,277	345,927	406,204	0
Unrestricted	<u>1,582,729</u>	<u>484,579</u>	<u>2,067,308</u>	<u>1,211,984</u>
Total Net Assets	<u>\$ 3,877,452</u>	<u>\$ 5,888,951</u>	<u>\$ 9,766,403</u>	<u>\$ 1,309,528</u>
Total Liabilities and Net Assets	<u>\$ 4,700,568</u>	<u>\$ 11,485,532</u>	<u>\$ 16,186,100</u>	<u>\$ 1,359,951</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 502,355	\$ 15,385	\$ 5,353	\$ 0	\$ (481,617)
Public Safety	427,016	39,078	0	0	(387,938)
Public Improvements	24,376	0	0	0	(24,376)
Streets, Highways, and Drains	243,316	0	244,773	0	1,457
Sanitation	2,831	0	0	0	(2,831)
Culture and Recreation	60,230	7,750	7,759	0	(44,721)
Interest on Long-Term Debt	32,092	0	0	0	(32,092)
Depreciation - Unallocated ¹	34,194	0	0	0	(34,194)
Total Governmental Activities	<u>\$ 1,326,410</u>	<u>\$ 62,213</u>	<u>\$ 257,885</u>	<u>\$ 0</u>	<u>\$(1,006,312)</u>
Business-type Activities:					
Water	\$ 306,100	\$ 292,515	\$ 0	\$ 0	\$ (13,585)
Sewer	866,539	540,929	0	0	(325,610)
Total Business-type Activities	<u>\$ 1,172,639</u>	<u>\$ 833,444</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (339,195)</u>
Total Primary Government	<u>\$ 2,499,049</u>	<u>\$ 895,657</u>	<u>\$ 257,885</u>	<u>\$ 0</u>	<u>\$(1,345,507)</u>
Component Units:					
Downtown Development Authority	\$ 462,523	\$ 0	\$ 173,401	\$ 37,413	\$ (251,709)
Local Development Finance Authority	280,875	0	0	0	(280,875)
Total Component Units	<u>\$ 743,398</u>	<u>\$ 0</u>	<u>\$ 173,401</u>	<u>\$ 37,413</u>	<u>\$ (532,584)</u>
Primary Government					
		Governmental Activities	Business-type Activities	Total	Component Units
Change in Net Assets:					
Net (Expense) Revenue		<u>\$(1,006,312)</u>	<u>\$ (339,195)</u>	<u>\$(1,345,507)</u>	<u>\$ (532,584)</u>
General Revenue:					
Property Taxes Levied for General Purposes		\$ 541,862	\$ 0	\$ 541,862	\$ 0
Property Taxes Levied for Local Streets		213,579	0	213,579	0
Property Taxes Captured		0	0	0	585,157
State Shared Revenue		230,555	0	230,555	0
Unrestricted Investment Income		90,200	48,354	138,554	43,024
Cash Transferred from Component Units		117,085	56,869	173,954	0
Capital Assets Transferred from Component Units		221,015	0	221,015	0
Miscellaneous		23,821	16,755	40,576	10,908
Total General Revenue		<u>\$ 1,438,117</u>	<u>\$ 121,978</u>	<u>\$ 1,560,095</u>	<u>\$ 639,089</u>
Change in Net Assets		\$ 431,805	\$ (217,217)	\$ 214,588	\$ 106,505
Net Assets – Beginning ²		<u>3,445,647</u>	<u>6,106,168</u>	<u>9,551,815</u>	<u>1,203,023</u>
Net Assets – Ending		<u>\$ 3,877,452</u>	<u>\$ 5,888,951</u>	<u>\$ 9,766,403</u>	<u>\$ 1,309,528</u>

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

²Governmental Activities restated – see Note 14

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 66,248	\$ 7,035	\$ 50,070	\$ 32,189	\$ 155,542
Investments	555,929	3,629	647,581	28,638	1,235,777
Accounts Receivable	2,572	0	319	0	2,891
Due from Other Funds	10,280	0	0	0	10,286
Due from Other Governmental Units	72,871	21,692	6,827	3,896	105,286
Inventory	2,538	0	0	0	2,538
Prepaid Expense	<u>26,759</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>26,759</u>
Total Assets	<u>\$ 737,197</u>	<u>\$ 32,356</u>	<u>\$ 704,797</u>	<u>\$ 64,723</u>	<u>\$ 1,539,073</u>
LIABILITIES					
Accounts Payable	\$ 7,844	\$ 23,489	\$ 16,065	\$ 1,283	\$ 48,681
Due to Other Funds	622	2,826	1,989	2,377	7,814
Salaries Payable	<u>10,502</u>	<u>209</u>	<u>236</u>	<u>75</u>	<u>11,022</u>
Total Liabilities	<u>\$ 18,968</u>	<u>\$ 26,524</u>	<u>\$ 18,290</u>	<u>\$ 3,735</u>	<u>\$ 67,517</u>
FUND BALANCES					
Unreserved, reported in:					
General Fund	\$ 718,229	\$ 0	\$ 0	\$ 0	\$ 718,229
Special Revenue Funds	0	5,832	686,507	711	693,050
Reserved, reported in:					
Debt Retirement Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>60,277</u>	<u>60,277</u>
Total Fund Balances	<u>\$ 718,229</u>	<u>\$ 5,832</u>	<u>\$ 686,507</u>	<u>\$ 60,988</u>	<u>\$ 1,471,556</u>
Total Liabilities and Fund Balances	<u>\$ 737,197</u>	<u>\$ 32,356</u>	<u>\$ 704,797</u>	<u>\$ 64,723</u>	<u>\$ 1,539,073</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
 Reconciliation of Fund Balances on the Balance Sheet
 for Governmental Funds to Net Assets of
 Governmental Activities on the Statement of Net Assets
 June 30, 2007

Fund Balances - total governmental funds	\$ 1,471,556
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: Capital assets	4,019,300
Deduct: Accumulated depreciation	(1,194,961)
An Internal Service Fund is used by management to charge the cost of equipment and vehicle usage to individual funds. Assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	
Add: Internal Service Fund assets	345,716
Deduct: Internal Service Fund liabilities	(19,264)
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	(585,000)
Deduct: Accrued interest on bonds and notes payable	(4,893)
Deduct: Compensated absences	<u>(155,002)</u>
Net assets of governmental activities	<u>\$ 3,877,452</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUE					
Property Taxes	\$ 553,580	\$ 0	\$ 213,579	\$ 0	\$ 767,159
Licenses and Permits	755	0	0	0	755
State Shared Revenue	230,555	132,121	41,577	0	404,253
METRO Act	0	6,045	1,930	0	7,975
Grants	3,329	0	0	0	3,329
Charges and Fees	38,661	0	0	0	38,661
State Highway Contract	0	0	0	24,338	24,338
Recreation	15,509	0	0	0	15,509
Rents and Royalties	11,131	0	0	0	11,131
Contributions	5,353	0	2,141	0	7,494
Interest	46,277	234	41,305	2,384	90,200
Transfers from Component Units	65,085	0	36,621	52,000	153,706
Miscellaneous	1,302	0	0	0	1,302
Total Revenue	<u>\$ 971,537</u>	<u>\$ 138,400</u>	<u>\$ 337,153</u>	<u>\$ 78,722</u>	<u>\$ 1,525,812</u>
EXPENDITURES					
General Government	\$ 478,720	\$ 0	\$ 0	\$ 0	\$ 478,720
Public Safety	368,821	0	0	0	368,821
Public Improvements	17,472	0	0	0	17,472
Streets, Highways, and Drains	24,226	100,090	96,155	25,167	245,638
Sanitation	2,831	0	0	0	2,831
Culture and Recreation	48,033	0	0	0	48,033
Capital Outlay	244,723	0	424,681	0	669,404
Debt Service					
Principal	0	0	0	70,000	70,000
Interest	0	0	0	32,671	32,671
Total Expenditures	<u>\$ 1,184,826</u>	<u>\$ 100,090</u>	<u>\$ 520,836</u>	<u>\$ 127,838</u>	<u>\$ 1,933,590</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (213,289)</u>	<u>\$ 38,310</u>	<u>\$(183,683)</u>	<u>\$ (49,116)</u>	<u>\$ (407,778)</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	\$ 62,900	\$ 0	\$ 0	\$ 49,800	\$ 112,700
Operating Transfers Out	(37,812)	(56,650)	(6,850)	0	(101,312)
Total Other Financing Sources (Uses)	<u>\$ 25,088</u>	<u>\$ (56,650)</u>	<u>\$ (6,850)</u>	<u>\$ 49,800</u>	<u>\$ 11,388</u>
NET CHANGE IN FUND BALANCES	\$ (188,201)	\$ (18,340)	\$(190,533)	\$ 684	\$ (396,390)
FUND BALANCES - Beginning	<u>906,430</u>	<u>24,172</u>	<u>877,040</u>	<u>60,304</u>	<u>1,867,946</u>
FUND BALANCES - Ending	<u>\$ 718,229</u>	<u>\$ 5,832</u>	<u>\$ 686,507</u>	<u>\$ 60,988</u>	<u>\$ 1,471,556</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
 Reconciliation of Statement of Revenue, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2007

Net changes in fund balances - total governmental funds \$ (396,390)

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	669,404
Deduct: Depreciation expense	(192,096)

Capital assets purchased by component units are transferred to the primary government.

Add: Capital assets purchased by component units	221,015
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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 \$88,868 (before depreciation) is reported with governmental activities in the statement of net assets.

88,868

Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct: New debt issued	0
Add: Principal payments on long-term debt	70,000

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	579
Deduct: Increase in accrual for compensated absences	<u>(29,575)</u>

Change in net assets of governmental activities	<u>\$ 431,805</u>
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The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	<u>Enterprise Funds</u>		Total	Internal
	Water	Sewer	Enterprise Funds	Service Funds
ASSETS				
Current Assets				
Cash	\$ 46,033	\$ 29,384	\$ 75,417	\$ 52,345
Investments	346,268	110,502	456,770	287,898
Accounts Receivable	4,042	14,298	18,340	135
Due from Other Funds	0	0	0	4,507
Inventory	2,360	1,772	4,132	0
Prepaid Expense	237	1,584	1,821	831
Total Current Assets	<u>\$ 398,940</u>	<u>\$ 157,540</u>	<u>\$ 556,480</u>	<u>\$ 345,716</u>
Restricted Assets				
Bond Interest and Redemption Accounts	\$ 28,159	\$ 115,147	\$ 143,306	\$ 0
Bond Reserve Accounts	40,037	162,584	202,621	0
Replacement Accounts	31,030	271,900	302,930	0
Total Restricted Assets	<u>\$ 99,226</u>	<u>\$ 549,631</u>	<u>\$ 648,857</u>	<u>\$ 0</u>
Noncurrent Assets				
Loan Refinancing Costs	\$ 25,000	\$ 0	\$ 25,000	\$ 0
Capital Assets - Not Depreciated	2,061	0	2,061	0
Other Capital Assets, Net of Accumulated Depreciation	1,922,874	8,336,488	10,259,362	431,605
Total Noncurrent Assets	<u>\$ 1,949,935</u>	<u>\$ 8,336,488</u>	<u>\$10,286,423</u>	<u>\$ 431,605</u>
Total Assets	<u>\$ 2,448,101</u>	<u>\$ 9,043,659</u>	<u>\$11,491,760</u>	<u>\$ 777,321</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 4,500	\$ 13,809	\$ 18,309	\$ 18,187
Accrued Payroll	854	2,303	3,157	331
Due to Other Funds	1,947	4,281	6,228	746
Customer Deposits	200	200	400	0
Total Current Liabilities	<u>\$ 7,501</u>	<u>\$ 20,593</u>	<u>\$ 28,094</u>	<u>\$ 19,264</u>
Liabilities Payable from Restricted Assets				
Accrued Interest Payable	\$ 13,938	\$ 6,250	\$ 20,188	\$ 0
Revenue Bonds - Current	25,000	66,000	91,000	0
Contract Payable - Current	105,000	0	105,000	0
Total Liabilities Payable from Restricted Assets	<u>\$ 143,938</u>	<u>\$ 72,250</u>	<u>\$ 216,188</u>	<u>\$ 0</u>
Noncurrent Liabilities				
Contract Payable	\$ 1,035,000	\$ 0	\$ 1,035,000	\$ 0
Less: Bond Discount	(8,280)	0	(8,280)	0
Revenue Bonds Payable	164,000	4,124,000	4,288,000	0
Compensated Absences	15,831	27,976	43,807	0
Total Noncurrent Liabilities	<u>\$ 1,206,551</u>	<u>\$ 4,151,976</u>	<u>\$ 5,358,527</u>	<u>\$ 0</u>
Total Liabilities	<u>\$ 1,357,990</u>	<u>\$ 4,244,819</u>	<u>\$ 5,602,809</u>	<u>\$ 19,264</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	\$ 615,277	\$ 4,140,238	\$ 4,755,515	\$ 431,605
Restricted by Bond Covenants	99,226	549,631	648,857	0
Unrestricted	375,608	108,971	484,579	326,452
Total Net Assets	<u>\$ 1,090,111</u>	<u>\$ 4,798,840</u>	<u>\$ 5,888,951</u>	<u>\$ 758,057</u>
Total Liabilities and Net Assets	<u>\$ 2,448,101</u>	<u>\$ 9,043,659</u>	<u>\$11,491,760</u>	<u>\$ 777,321</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Enterprise Funds</u>		Total	Internal
	<u>Water</u>	<u>Sewer</u>	<u>Enterprise Funds</u>	<u>Service Funds</u>
OPERATING REVENUE				
Sales	\$ 268,341	\$ 540,929	\$ 809,270	\$ 0
Connections Fees	150	0	150	0
Rental	24,024	0	24,024	91,869
Other	<u>6,729</u>	<u>10,026</u>	<u>16,755</u>	<u>2,151</u>
Total Operating Revenue	<u>\$ 299,244</u>	<u>\$ 550,955</u>	<u>\$ 850,199</u>	<u>\$ 94,020</u>
OPERATING EXPENSES				
Sewage Disposal	\$ 0	\$ 356,209	\$ 356,209	\$ 0
Water Plant Operation	75,863	0	75,863	0
Water Distribution Expenses	53,155	0	53,155	0
Depreciation	82,223	287,195	369,418	64,501
Motor Vehicle Expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>71,190</u>
Total Operating Expenses	<u>\$ 211,241</u>	<u>\$ 643,404</u>	<u>\$ 854,645</u>	<u>\$ 135,691</u>
OPERATING INCOME (LOSS)	<u>\$ 88,003</u>	<u>\$ (92,449)</u>	<u>\$ (4,446)</u>	<u>\$ (41,671)</u>
NON-OPERATING REVENUE (EXPENSES)				
Interest Income	\$ 18,372	\$ 29,982	\$ 48,354	\$ 11,538
Interest Expense	<u>(71,559)</u>	<u>(192,235)</u>	<u>(263,794)</u>	<u>0</u>
Total Non-operating Revenue (Expense)	<u>\$ (53,187)</u>	<u>\$ (162,253)</u>	<u>\$ (215,440)</u>	<u>\$ 11,538</u>
Income (Loss) Before Contributions and Transfers	<u>\$ 34,816</u>	<u>\$ (254,702)</u>	<u>\$ (219,886)</u>	<u>\$ (30,133)</u>
CONTRIBUTIONS AND TRANSFERS				
Contributions from Component Units	\$ 56,869	\$ 0	\$ 56,869	\$ 0
Contributions from Other Governments	0	0	0	11,688
Transfers From Other Funds	0	0	0	42,812
Transfers To Other Funds	<u>(23,300)</u>	<u>(30,900)</u>	<u>(54,200)</u>	<u>0</u>
Total Contributions and Transfers	<u>\$ 33,569</u>	<u>\$ (30,900)</u>	<u>\$ 2,669</u>	<u>\$ 54,500</u>
CHANGE IN NET ASSETS	\$ 68,385	\$ (285,602)	\$ (217,217)	\$ 24,367
NET ASSETS – Beginning	<u>1,021,726</u>	<u>5,084,442</u>	<u>6,106,168</u>	<u>733,690</u>
NET ASSETS - Ending	<u>\$ 1,090,111</u>	<u>\$ 4,798,840</u>	<u>\$ 5,888,951</u>	<u>\$ 758,057</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Water</u>	<u>Sewer</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 293,009	\$ 534,493	\$ 827,502	\$ 95,361
Cash payments to suppliers for goods and services	(153,789)	(184,886)	(338,675)	(30,541)
Cash payments to employees and professional contractors for services	(55,204)	(164,812)	(220,016)	(23,084)
Other operating receipts	<u>6,729</u>	<u>10,026</u>	<u>16,755</u>	<u>2,151</u>
Net cash provided (used) by operating activities	<u>\$ 90,745</u>	<u>\$ 194,821</u>	<u>\$ 285,566</u>	<u>\$ 43,887</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Contributions from Component Units	\$ 56,869	\$ 0	\$ 56,869	\$ 0
Contributions from other governments	0	0	0	11,688
Transfers from other funds	0	0	0	42,812
Transfers to other funds	<u>(23,300)</u>	<u>(30,900)</u>	<u>(54,200)</u>	<u>0</u>
Net cash provided (used) by non-capital financing activities	<u>\$ 33,569</u>	<u>\$ (30,900)</u>	<u>\$ 2,669</u>	<u>\$ 54,500</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	\$ (11,559)	\$ (80,217)	\$ (91,776)	\$ (36,044)
Principal paid on bonds	(30,000)	(63,000)	(93,000)	0
Interest paid on bonds	(72,319)	(192,735)	(265,054)	0
Refinancing costs paid	<u>(25,000)</u>	<u>0</u>	<u>(25,000)</u>	<u>0</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (138,878)</u>	<u>\$ (335,952)</u>	<u>\$ (474,830)</u>	<u>\$ (36,044)</u>
CASH FLOWS FORM INVESTING ACTIVITIES				
Investment income	<u>\$ 18,372</u>	<u>\$ 29,982</u>	<u>\$ 48,354</u>	<u>\$ 11,538</u>
Net cash provided (used) by investment activities	<u>\$ 18,372</u>	<u>\$ 29,982</u>	<u>\$ 48,354</u>	<u>\$ 11,538</u>
NET INCREASE (DECREASE) IN CASH	\$ 3,808	\$ (142,049)	\$ (138,241)	\$ 73,881
CASH AND CASH EQUIVALENTS - Beginning	<u>487,719</u>	<u>831,566</u>	<u>1,319,285</u>	<u>266,362</u>
CASH AND CASH EQUIVALENTS - Ending	<u>\$ 491,527</u>	<u>\$ 689,517</u>	<u>\$ 1,181,044</u>	<u>\$ 340,243</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 88,003	\$ (92,449)	\$ (4,446)	\$ (41,671)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	82,223	287,195	369,418	64,501
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	494	(6,436)	(5,942)	567
(Increase) decrease in due from other funds	0	0	0	2,925
(Increase) decrease in inventories	(591)	(329)	(920)	0
(Increase) decrease in prepaid expense	(12)	(432)	(444)	(69)
Increase (decrease) in accounts payable	(85,175)	5,008	(80,167)	17,297
Increase (decrease) in wages and benefits payable	428	305	733	(127)
Increase (decrease) in due to other funds	(995)	(1,297)	(2,292)	464
Increase (decrease) in customer deposits	(177)	(252)	(429)	0
Increase (decrease) in compensated absences	<u>6,547</u>	<u>3,508</u>	<u>10,055</u>	<u>0</u>
Net cash provided (used) by operating activities	<u>\$ 90,745</u>	<u>\$ 194,821</u>	<u>\$ 285,566</u>	<u>\$ 43,887</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2007

ASSETS

Cash

\$ 689

LIABILITIES

Payroll deductions withheld

\$ 689

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
 COMBINING STATEMENT OF NET ASSETS
 COMPONENT UNITS
 JUNE 30, 2007

	<u>DDA</u>	<u>LDFA</u>	<u>Total Component Units</u>
ASSETS			
Current Assets			
Cash	\$ 41,684	\$ 25,790	\$ 67,474
Investments	508,392	649,871	1,158,263
Accounts Receivable	0	36,645	36,645
Prepaid Expense	<u>25</u>	<u>0</u>	<u>25</u>
Total Current Assets	<u>\$ 550,101</u>	<u>\$ 712,306</u>	<u>\$ 1,262,407</u>
Noncurrent Assets			
Capital Assets			
Land	<u>\$ 0</u>	<u>\$ 97,544</u>	<u>\$ 97,544</u>
Total Noncurrent Assets	<u>\$ 0</u>	<u>\$ 97,544</u>	<u>\$ 97,544</u>
Total Assets	<u>\$ 550,101</u>	<u>\$ 809,850</u>	<u>\$ 1,359,951</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 43,933	\$ 1,050	\$ 44,983
Deferred Revenue	<u>5,440</u>	<u>0</u>	<u>5,440</u>
Total Current Liabilities	<u>\$ 49,373</u>	<u>\$ 1,050</u>	<u>\$ 50,423</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 0	\$ 97,544	\$ 97,544
Unrestricted	<u>500,728</u>	<u>711,256</u>	<u>1,211,984</u>
Total Net Assets	<u>\$ 500,728</u>	<u>\$ 808,800</u>	<u>\$ 1,309,528</u>
Total Liabilities and Net Assets	<u>\$ 550,101</u>	<u>\$ 809,850</u>	<u>\$ 1,359,951</u>

See accompanying notes to the basic financial statements.

VILLAGE OF JONESVILLE
 COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS
 FOR THE YEAR ENDED JUNE 30, 2007

	<u>DDA</u>	<u>LDFA</u>	<u>Total Component Units</u>
EXPENSES			
Downtown Development	\$ 462,523	\$ 0	\$ 462,523
Industrial Development	<u>0</u>	<u>280,875</u>	<u>280,875</u>
Total Expenses	<u>\$ 462,523</u>	<u>\$ 280,875</u>	<u>\$ 743,398</u>
 PROGRAM REVENUE			
Charges for Services	\$ 0	\$ 0	\$ 0
Federal Grant	<u>210,814</u>	<u>0</u>	<u>210,814</u>
Total Program Revenue	<u>\$ 210,814</u>	<u>\$ 0</u>	<u>\$ 210,814</u>
 NET (EXPENSE) REVENUE	 <u><u>\$(251,709)</u></u>	 <u><u>\$(280,875)</u></u>	 <u><u>\$ (532,584)</u></u>
 GENERAL REVENUE			
Property Taxes Captured	\$ 291,218	\$ 293,939	\$ 585,157
Land Rent	0	10,908	10,908
Investment Income	18,273	24,751	43,024
Other Income	<u>0</u>	<u>0</u>	<u>0</u>
Total General Revenue	<u>\$ 309,491</u>	<u>\$ 329,598</u>	<u>\$ 639,089</u>
 CHANGE IN NET ASSETS	 \$ 57,782	 \$ 48,723	 \$ 106,505
 NET ASSETS – Beginning*	 <u>442,946</u>	 <u>760,077</u>	 <u>1,203,023</u>
 NET ASSETS - Ending	 <u><u>\$ 500,728</u></u>	 <u><u>\$ 808,800</u></u>	 <u><u>\$ 1,309,528</u></u>

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

*DDA restated – see Note 14

See accompanying notes to the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Jonesville comprises a population of approximately 2,337 residents in Hillsdale County, Michigan. It is governed by a seven-member council with a president as its head. As required by generally accepted accounting principles, these financial statements present the Village's primary government and component units over which the Village exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationship with the Village (as distinct from legal relationships).

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

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

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

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

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The statement of net assets and the statement of activities display financial information about the Village as a whole, excluding fiduciary activities. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by property taxes and Village general revenue, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Village's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, State Revenue Sharing, and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Village.

Fund Financial Statements - Fund financial statements report detailed information about the Village. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

The financial statements of the Village are prepared in accordance with generally accepted accounting principles (GAAP). The Village applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Village does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Village departments. Proprietary fund and component unit financial statements also report using this same focus and basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is to be collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Under the modified accrual basis, property taxes, State revenue sharing, interest, and grants are considered to be both measurable and available at fiscal year-end. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Operating income reported in proprietary fund financial statements includes revenue and expenses related to the primary, continuing operations of the fund. Principal operating revenue for proprietary funds is charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenue and expenses are classified as non-operating in the financial statements.

Financial Statement Presentation

The Village uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Village functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The Village reports the following major governmental funds:

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

VILLAGE OF JONESVILLE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Village reports the following major enterprise funds:

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

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

Additionally, the Village reports the following fund types:

Debt Retirement Fund - used to account for the accumulation of resources for and the payment of principal and interest on the Village's general obligation debt.

Internal Service Fund - accounts for the financing of goods and services provided by one department to other departments within the Village on a cost-reimbursement basis (i.e. equipment and vehicle usage). This is a proprietary fund reported with governmental activities in the government-wide statements.

Agency Fund - accounts for fiduciary assets held by the Village in a custodial capacity as an agent on behalf of others (i.e. employee payroll deductions).

Assets, Liabilities, and Net Assets

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

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

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets paid for by component units are transferred to the primary government and are also reported in the government-wide statements. Proprietary Fund capital assets are reported in their respective fund financial statements. The Village has opted to report infrastructure prospectively (not retroactively) as allowed by GASB 34.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Village maintains a capitalization threshold of \$1,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings & Improvements	0 - 50 years
Furniture & Equipment	5 - 20 years
Vehicles	5 years
Infrastructure	20 - 30 years

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Fund Balance - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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 Village Council at the function level. Any budgetary modifications may only be made by resolution of the Village Council. All annual appropriations lapse at fiscal year end.

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

- 1) Prior to June 30, the Village Manager submits to the Village Council a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the Village, transfer of appropriations may be made by the authorization of the Village Manager. Such transfers appropriations must be approved by the Village Council at its next regularly scheduled meeting.

VILLAGE OF JONESVILLE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

- 5) The Village Manager is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

During the year, the Village incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Major Streets	Street Construction	\$ 5,775	\$ 7,163	\$ 1,388

NOTE 3 - DEPOSITS AND INVESTMENTS

State of Michigan laws authorize the Village to invest in bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Village's investment policy puts no further limits on its investment choices.

Deposits

Following are the components of the Village's bank deposits at June 30, 2007:

	<u>Primary Government</u>	<u>Component Units</u>
Cash on hand	\$ 450	\$ 0
Checking and savings accounts	382,136	67,474
Certificates of deposit	<u>187,427</u>	<u>0</u>
	<u>\$ 570,013</u>	<u>\$ 67,474</u>

Investments

Following are the components of the Village's investments at June 30, 2007:

Fifth Third Bank Government Money Market	\$ 646,995	\$ 1,158,263
Federated Automated Government Money Trust	804,236	0
MBIA CLASS Investment Pool	<u>890,998</u>	<u>0</u>
	<u>\$ 2,342,229</u>	<u>\$ 1,158,263</u>

The Village's deposits and investments are subject to several types of risk, which are examined in more detail as follows:

Interest Rate Risk - In accordance with its investment policy, the Village manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools that limit the average maturity in accordance with the Village's cash requirements.

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

Credit Risk – The Village minimizes credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in its investment policy. As of June 30, 2007, the Village’s investment in the Fifth Third Bank Government Money Market was rated AAAM by Standard & Poor’s, the MBIA CLASS Investment Pool was rated AAA/V1+ by Fitch, and the Federated Automated Government Money Trust was not rated .

Concentration of credit risk – The Village does not have limits on the amount the Village may deposit in any one issuer.

Custodial credit risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the Village’s deposits may not be returned to it. The Village does not have a formal policy for custodial credit risk. At June 30, 2007, the carrying amount of the Village’s deposits was \$637,037 and the bank balance was \$646,847. Of the bank balance, \$231,640 was covered by federal depository insurance and \$415,207 was uninsured. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2007, consist of State revenue sharing, State highway contract revenue, utility and other receivables. All receivables are considered collectible in full due to the ability to lien for the nonpayment of utility bills and the stable condition of State programs.

A summary of the principal items of receivables follows:

	General	Major	Local	Other		
	<u>Fund</u>	<u>Street</u>	<u>Street</u>	<u>Funds</u>	<u>Funds</u>	<u>Total</u>
State Revenue Sharing	\$ 72,871	\$ 21,692	\$ 6,827	\$ 0	\$ 0	\$ 101,390
Property Taxes	810	0	319	0	0	1,129
State Highway Contract	0	0	0	3,896	0	3,896
Utility customers	0	0	0	0	16,217	16,217
Other Receivables	<u>1,762</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,124</u>	<u>3,886</u>
Total	<u>\$ 75,443</u>	<u>\$ 21,692</u>	<u>\$ 7,146</u>	<u>\$ 3,896</u>	<u>\$ 18,341</u>	<u>\$ 126,518</u>

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
PRIMARY GOVERNMENT				
<u>Governmental Activities</u>				
Capital assets not being depreciated				
Land	\$ 35,204	\$ 30,000	\$ 0	\$ 65,204
Capital assets being depreciated				
Land Improvements	\$ 44,260	\$ 4,619	\$ 0	\$ 48,879
Buildings & Improvements	571,731	151,288	0	723,019
Furniture & Equipment	463,996	75,565	0	539,561
Vehicles	968,854	36,044	(14,763)	990,135
Infrastructure*	1,023,555	628,947	0	1,652,502
Less accumulated depreciation*	<u>(1,017,628)</u>	<u>(192,096)</u>	<u>14,763</u>	<u>(1,194,961)</u>
Total capital assets being depreciated, net	<u>\$ 2,054,768</u>	<u>\$ 704,367</u>	<u>\$ 0</u>	<u>\$ 2,759,135</u>
Total capital assets, net	<u>\$ 2,089,972</u>	<u>\$ 734,367</u>	<u>\$ 0</u>	<u>\$ 2,824,339</u>
*Beginning balance restated - see Note 14				
<u>Business-Type Activities</u>				
Capital assets not being depreciated				
Land	\$ 2,061	\$ 0	\$ 0	\$ 2,061
Capital assets being depreciated				
Facilities & Mains	\$14,019,924	\$ 82,456	\$ 0	\$14,102,380
Machinery & Equipment	449,604	9,320	0	458,924
Vehicles	8,138	0	0	8,138
Less accumulated depreciation	<u>(3,940,662)</u>	<u>(369,418)</u>	<u>0</u>	<u>(4,310,080)</u>
Total capital assets being depreciated, net	<u>\$10,537,004</u>	<u>\$ (277,642)</u>	<u>\$ 0</u>	<u>\$10,259,362</u>
Total capital assets, net	<u>\$10,539,065</u>	<u>\$ (277,642)</u>	<u>\$ 0</u>	<u>\$10,261,423</u>
PRIMARY GOVERNMENT				
Total capital assets, net	<u>\$12,629,037</u>	<u>\$ 456,725</u>	<u>\$ 0</u>	<u>\$13,085,762</u>
COMPONENT UNITS				
Capital assets not being depreciated				
Land	\$ 97,544	\$ 0	\$ 0	\$ 97,544

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

Governmental Activities:		Business-Type Activities:	
General Government	\$ 6,560	Water	\$ 82,223
Public Safety	83,507	Sewer	287,195
Public Improvements	6,904	Total	\$ 369,418
Streets, Highways and Drains	48,734		
Culture and Recreation	12,197		
Unallocated	<u>34,194</u>		
Total	\$ 192,096		

VILLAGE OF JONESVILLE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances at June 30, 2007, is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 10,280	Major Streets	\$ 1,216
		Local Streets	941
		State Highway	1,605
		Sewer Fund	4,182
		Water Fund	1,590
		Motor Vehicle Pool	746
Motor Vehicle Pool	4,508	General Fund	622
		Major Streets	1,610
		Local Streets	1,048
		State Highway	772
		Sewer Fund	99
		Water Fund	357
	<u>\$ 14,788</u>		<u>\$ 14,788</u>

Interfund transfers during the year consisted of the following:

	<u>Transfer From</u>					<u>Total</u>
	<u>General Fund</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Sewer</u>	<u>Water</u>	
Transfer to:						
General Fund	\$ 0	\$ 6,850	\$ 6,850	\$ 26,900	\$ 22,300	\$ 62,900
Debt Service	0	49,800	0	0	0	49,800
Motor Vehicle Pool	37,812	0	0	4,000	1,000	42,812
Total	<u>\$ 37,812</u>	<u>\$ 56,650</u>	<u>\$ 6,850</u>	<u>\$ 30,900</u>	<u>\$ 23,300</u>	<u>\$155,512</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 assets.

NOTE 7 - LONG-TERM DEBT

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

Downtown Development Bonds - During the year 1999-2000, the Village issued bonds in the amount of \$450,000 for streetscape improvements in the downtown district. The bond payments are to be made from the tax increment revenues of the DDA; however, they are also backed by the full faith and credit of the Village.

Michigan Transportation Fund Bonds - During the year 1997-98, the Village issued bonds in the amount of \$550,000 for Major Street Fund Projects on Wright Street and South Street.

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

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 7 - LONG-TERM DEBT (CONTINUED)

USDA Loan - During the year 2005-06, the Village completed construction on a new sewage treatment plant, funded partially by a \$4,065,000 loan from the USDA Rural Development Office.

County Contract - During the year 1995-96, the Village entered into a contract with the Hillsdale County Board of Public Works to issue \$1,360,000 in bonds for Water Supply System and other improvements. On March 22, 2007, the County refinanced the bonds for a lower interest rate and revised the related contract payment schedule.

The following is a summary of changes in long-term debt for the year ended June 30, 2007:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2007</u>
Primary Government				
<i>Governmental Activities</i>				
Downtown Streetscape Bonds	\$ 340,000	\$ 0	\$ 35,000	\$ 305,000
Michigan Transportation Fund Bonds	315,000	0	35,000	280,000
Compensated Absences	<u>125,427</u>	<u>29,575</u>	<u>0</u>	<u>155,002</u>
Total Governmental Activities	<u>\$ 780,427</u>	<u>\$ 29,575</u>	<u>\$ 70,000</u>	<u>\$ 740,002</u>
<i>Business-type Activities</i>				
Revenue Bonds - Sewer Fund	\$ 270,000	\$ 0	\$ 20,000	\$ 250,000
USDA Loan - Sewer Fund	3,983,000	0	43,000	3,940,000
Revenue Bonds - Water Fund	209,000	0	20,000	189,000
County Contract - Water Fund	1,150,000	1,140,000	1,150,000	1,140,000
Compensated Absences	<u>33,752</u>	<u>10,055</u>	<u>0</u>	<u>43,807</u>
Total Business-type Activities	<u>\$5,645,752</u>	<u>\$1,150,055</u>	<u>\$1,233,000</u>	<u>\$5,562,807</u>
Total Primary Government Long-Term Debt	<u>\$6,426,179</u>	<u>\$1,179,630</u>	<u>\$1,303,000</u>	<u>\$6,302,809</u>

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

	<u>Interest Rate(s)</u>	<u>Maturity Date</u>	<u>Current Portion</u>
Downtown Streetscape Bonds	5.00 %	5/1/14	\$ 35,000
Michigan Transportation Fund Bonds	4.30 - 5.15%	11/1/12	40,000
Revenue Bonds - Sewer Fund	5.00%	1/1/18	20,000
USDA Loan - Sewage Treatment Plan	4.00%	4/22/43	46,000
Revenue Bonds - Water Fund - Project #1	5.00%	1/1/12	10,000
Revenue Bonds - Water Fund - Project #2	5.00%	1/1/16	15,000
County Contract	4.30% - 5.70%	11/1/15	<u>105,000</u>
			<u>\$ 271,000</u>

VILLAGE OF JONESVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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>
2008	\$ 75,000	\$ 28,438	\$ 196,000	\$ 247,342
2009	80,000	24,740	203,000	233,988
2010	85,000	20,636	210,000	225,217
2011	95,000	16,240	219,000	216,135
2012	95,000	11,441	226,000	206,605
2013-2017	150,000	8,991	1,059,000	882,763
2018-2022	0	0	411,000	726,700
2023-2027	0	0	483,000	631,110
2028-2032	0	0	602,000	512,055
2033-2037	0	0	749,000	363,915
2038-2042	0	0	933,000	179,640
2043	0	0	228,000	9,990
Total	<u>\$ 580,000</u>	<u>\$ 110,486</u>	<u>\$ 5,519,000</u>	<u>\$ 4,435,460</u>

NOTE 8 - COMPENSATED ABSENCES

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

NOTE 9 - PROPERTY TAXES

Real estate and personal property taxes are recorded as revenue in amounts equal to the total taxes levied. The total levy for 2006 was 16.388 mills - 11.7057 mills allocated to General Fund, and 4.6823 mills allocated to Street Funds. The 2006 total state taxable value was approximately \$76,260,000 (\$63,641,000 ad valorem and \$12,619,000 industrial facilities tax). Village properties are assessed as of December 31 (the lien date) - taxes levied July 1 of the succeeding year and are due without interest to September 15. After the final collection date, unpaid real property taxes are added to the county delinquent tax rolls. Personal property taxes unpaid continue to be collected by the Village Treasurer.

NOTE 10 - SEGMENT INFORMATION

The Village issues separate revenue bonds to finance its water and sewer departments. The fund financial statements report major funds with revenue - supported debt for the water and sewer funds. Services provided by these funds are described in Note 1.

VILLAGE OF JONESVILLE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007

NOTE 11 - DEFINED CONTRIBUTION PENSION PLAN

The Village of Jonesville provides pension benefits for all of its full-time employees through a defined contribution money purchase plan administered by the International City Managers Association Retirement Corporation (ICMA-RC). All full-time employees are eligible to participate in the plan after 6 months of full-time service. Participants are vested incrementally, with full vesting after four years of continuous full-time service. The Village is required to contribute 5 percent of covered payroll. If the employee makes a voluntary contribution of 5 percent, then the Village contributes an additional 2 percent. The activity in the plan for 2006-07 is as follows:

Asset Value - July 1, 2006	\$ 842,732
Employer Contributions	48,854
Employee Contributions	42,141
Investment Gain (Loss)	116,970
Distributions	<u>(6,203)</u>
Asset Value - June 30, 2007	<u>\$ 1,044,494</u>

NOTE 12 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Village has purchased commercial insurance for each of these areas of risk and there have been no significant reduction in insurance coverages. Settled claims have not exceeded the amount of insurance coverage for the current or the three prior years.

NOTE 13 - UNEMPLOYMENT TAXES

The Village is a reimbursing employer to the Michigan Unemployment Insurance Agency and, as such, is responsible to pay the Agency for those benefits paid and charged to its account. As of June 30, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or not filed.

NOTE 14 - RESTATEMENTS

The balances of beginning net assets and beginning net capital assets of governmental activities were increased \$160,673 to account for capital assets paid for by the component units (LDFA and DDA) in prior years. Ownership of these assets was transferred to the primary government.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF JONESVILLE
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
				<u>Final Budget</u>
REVENUE				
Property Taxes	\$ 517,600	\$ 517,600	\$ 553,580	\$ 35,980
Licenses and Permits	1,500	1,500	755	(745)
State Shared Revenue	243,500	243,500	230,555	(12,945)
Grants	1,000,000	10,000	3,329	(6,671)
Charges and Fees	41,800	41,800	38,661	(3,139)
Recreation	16,000	16,000	15,509	(491)
Rents and Royalties	11,000	11,000	11,131	131
Contributions	5,440	5,440	5,353	(87)
Reimbursements	106,910	106,910	0	(106,910)
Interest	30,000	30,000	46,277	16,277
Transfers from Component Units	52,350	52,350	65,085	12,735
Miscellaneous	1,000	1,000	1,302	302
Total Revenue	<u>\$ 2,027,100</u>	<u>\$ 1,037,100</u>	<u>\$ 971,537</u>	<u>\$ (65,563)</u>
EXPENDITURES				
General Government	\$ 558,330	\$ 628,710	\$ 478,720	\$ (149,990)
Public Safety	386,739	381,337	368,821	(12,516)
Public Improvements	23,595	26,245	17,472	(8,773)
Streets, Highways, and Drains	27,300	27,300	24,226	(3,074)
Sanitation	5,600	5,600	2,831	(2,769)
Culture and Recreation	69,500	72,260	48,033	(24,227)
Capital Outlay	1,351,962	246,268	244,723	(1,545)
Total Expenditures	<u>\$ 2,423,026</u>	<u>\$ 1,387,720</u>	<u>\$ 1,184,826</u>	<u>\$ (202,894)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (395,926)</u>	<u>\$ (350,620)</u>	<u>\$ (213,289)</u>	<u>\$ 137,331</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 62,900	\$ 62,900	\$ 62,900	\$ 0
Transfers Out	(48,400)	(48,925)	(37,812)	(11,113)
Total Other Financing Sources (Uses)	<u>\$ 14,500</u>	<u>\$ 13,975</u>	<u>\$ 25,088</u>	<u>\$ 11,113</u>
NET CHANGE IN FUND BALANCES	<u>\$ (381,426)</u>	<u>\$ (336,645)</u>	<u>\$ (188,201)</u>	<u>\$ 148,444</u>
FUND BALANCES - Beginning	<u>906,430</u>	<u>906,430</u>	<u>906,430</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 525,004</u>	<u>\$ 569,785</u>	<u>\$ 718,229</u>	<u>\$ 148,444</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR STREETS FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
				<u>Final Budget</u>
REVENUE				
State Shared Revenue	\$ 135,000	\$ 135,000	\$ 132,121	\$ (2,879)
METRO Act	6,000	6,000	6,045	45
Interest	<u>1,500</u>	<u>1,500</u>	<u>234</u>	<u>(1,266)</u>
Total Revenue	<u>\$ 142,500</u>	<u>\$ 142,500</u>	<u>\$ 138,400</u>	<u>\$ (4,100)</u>
EXPENDITURES				
Street Construction	\$ 0	\$ 5,775	\$ 7,163	\$ 1,388
Routine Maintenance	63,400	75,110	73,904	(1,206)
Traffic Control	8,590	8,590	5,655	(2,935)
Winter Maintenance	17,550	17,550	13,305	(4,245)
Administration	<u>100</u>	<u>100</u>	<u>63</u>	<u>(37)</u>
Total Expenditures	<u>\$ 89,640</u>	<u>\$ 107,125</u>	<u>\$ 100,090</u>	<u>\$ (7,035)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 52,860</u>	<u>\$ 35,375</u>	<u>\$ 38,310</u>	<u>\$ 2,935</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>\$ (56,650)</u>	<u>\$ (56,650)</u>	<u>\$ (56,650)</u>	<u>\$ 0</u>
NET CHANGE IN FUND BALANCES	\$ (3,790)	\$ (21,275)	\$ (18,340)	\$ 2,935
FUND BALANCES - Beginning	<u>24,172</u>	<u>24,172</u>	<u>24,172</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 20,382</u>	<u>\$ 2,897</u>	<u>\$ 5,832</u>	<u>\$ 2,935</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
LOCAL STREETS FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
				<u>Final Budget</u>
REVENUE				
Property Taxes	\$ 200,300	\$ 200,300	\$ 213,579	\$ 13,279
State Shared Revenue	44,000	44,000	41,577	(2,423)
METRO Act	2,000	2,000	1,930	(70)
Contributions	2,150	2,150	2,141	(9)
Transfers from Component Units	112,000	112,000	36,621	(75,379)
Interest	<u>15,000</u>	<u>15,000</u>	<u>41,305</u>	<u>26,305</u>
Total Revenue	<u>\$ 375,450</u>	<u>\$ 375,450</u>	<u>\$ 337,153</u>	<u>\$ (38,297)</u>
EXPENDITURES				
Street Construction	\$ 513,000	\$ 425,000	\$ 424,681	\$ (319)
Routine Maintenance	81,400	90,600	84,235	(6,365)
Traffic Control	3,000	3,000	1,433	(1,567)
Winter Maintenance	14,200	14,200	10,424	(3,776)
Administration	<u>100</u>	<u>100</u>	<u>63</u>	<u>(37)</u>
Total Expenditures	<u>\$ 611,700</u>	<u>\$ 532,900</u>	<u>\$ 520,836</u>	<u>\$ (12,064)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$(236,250)</u>	<u>\$(157,450)</u>	<u>\$(183,683)</u>	<u>\$ (26,233)</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>\$ (6,850)</u>	<u>\$ (6,850)</u>	<u>\$ (6,850)</u>	<u>\$ 0</u>
NET CHANGE IN FUND BALANCES	\$(243,100)	\$(164,300)	\$(190,533)	\$ (26,233)
FUND BALANCES - Beginning	<u>877,040</u>	<u>877,040</u>	<u>877,040</u>	<u>0</u>
FUND BALANCES - Ending	<u><u>\$ 633,940</u></u>	<u><u>\$ 712,740</u></u>	<u><u>\$ 686,507</u></u>	<u><u>\$ (26,233)</u></u>

The accompanying notes are an integral part of this statement.

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF JONESVILLE
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007

	<u>Special Revenue State Highway Fund</u>	<u>Debt Retirement Debt Service Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 549	\$ 31,640	\$ 32,189
Investments	0	28,637	28,637
Due from Other Governmental Units	<u>3,896</u>	<u>0</u>	<u>3,896</u>
Total Assets	<u>\$ 4,445</u>	<u>\$ 60,277</u>	<u>\$ 64,722</u>
LIABILITIES			
Accounts Payable	\$ 229	\$ 0	\$ 229
Due to Other Funds	3,430	0	3,430
Salaries Payable	<u>75</u>	<u>0</u>	<u>75</u>
Total Liabilities	<u>\$ 3,734</u>	<u>\$ 0</u>	<u>\$ 3,734</u>
FUND BALANCE			
Reserved for Debt Retirement	\$ 0	\$ 60,277	\$ 60,277
Unreserved/Undesignated	<u>711</u>	<u>0</u>	<u>711</u>
Total Fund Balances	<u>\$ 711</u>	<u>\$ 60,277</u>	<u>\$ 60,988</u>
Total Liabilities and Fund Balances	<u>\$ 4,445</u>	<u>\$ 60,277</u>	<u>\$ 64,722</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF JONESVILLE
 COMBINING STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007

	<u>Special Revenue State Highway Fund</u>	<u>Debt Retirement Debt Service Fund</u>	<u>Total</u>
REVENUE			
State Highway Contract	\$ 24,338	\$ 0	\$ 24,338
Transfer from Component Unit	0	52,000	52,000
Interest Income	<u>7</u>	<u>2,377</u>	<u>2,384</u>
Total Revenue	<u>\$ 24,345</u>	<u>\$ 54,377</u>	<u>\$ 78,722</u>
EXPENDITURES			
Routine Maintenance	\$ 13,062	\$ 0	\$ 13,062
Traffic Control	3,018	0	3,018
Winter Maintenance	9,087	0	9,087
Debt Service			
Principal	0	70,000	70,000
Interest	<u>0</u>	<u>32,671</u>	<u>32,671</u>
Total Expenditures	<u>\$ 25,167</u>	<u>\$ 102,671</u>	<u>\$ 127,838</u>
Excess of Revenue Over (Under) Expenditures	\$ (822)	\$ (48,294)	\$ (49,116)
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>0</u>	<u>49,800</u>	<u>49,800</u>
NET CHANGES IN FUND BALANCES	\$ (822)	\$ 1,506	\$ 684
FUND BALANCES - Beginning	<u>1,533</u>	<u>58,771</u>	<u>60,304</u>
FUND BALANCES - Ending	<u>\$ 711</u>	<u>\$ 60,277</u>	<u>\$ 60,988</u>

The accompanying notes are an integral part of this statement.

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

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

To the Village Council
Village of Jonesville
Jonesville, Michigan

We have audited the 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 Village of Jonesville as of and for the year ended June 30, 2007, which collectively comprise the Village of Jonesville's basic financial statements and have issued our report thereon dated October 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Jonesville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Jonesville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Jonesville's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Jonesville's financial statements that is more than inconsequential will not be prevented or detected by the Village of Jonesville's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Jonesville's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Jonesville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Village of Jonesville's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Village of Jonesville's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Village Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Jonesville, Michigan
October 11, 2007

VILLAGE OF JONESVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

Finding 2007-1

The Village does not have procedures in place to prepare government-wide financial statements and notes to the financial statements required in the annual audit report in accordance with accounting principles generally accepted in the United States of America. The staff understands all information included in the annual audit report; however, assistance of the external auditor is utilized in preparing the notes to the financial statements and certain reconciliations required to prepare government-wide financial statements. Effective for the year ended June 30, 2007, Statement on Auditing Standards #112 – *Communicating Internal Control Related Matters Identified in an Audit* requires us to communicate in writing when a client requires this type of assistance. We do not recommend any changes at this time, but we are communicating this as a significant deficiency as required by professional standards.

Client Response

We are aware of this deficiency and believe that the time and expense that would be required to obtain the necessary training and expertise to perform this task internally would not be cost beneficial. We will continue to use our external auditors for this technical assistance.