

**VILLAGE OF BARODA
BERRIEN COUNTY, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)**

YEAR ENDED MARCH 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Honorable President and
Members of the Village Council
Village of Baroda, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Baroda, Michigan (the Village) as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Baroda, Michigan, as of March 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The combining nonmajor governmental fund financial statements and component unit fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental fund financial statements and component unit fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental fund financial statements and component unit fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2019, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Manes Costeiran PC

September 3, 2019

**VILLAGE OF BARODA
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2019**

The following is a discussion and analysis of Village of Baroda's (the Village's) financial performance and position, providing an overview of the activities for the year ended March 31, 2019. This analysis should be read in conjunction with the *Independent Auditor's Report* and with the Village's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide

- Total net position was \$3,613,004.
- Governmental activities net position was \$2,062,276.
- Business-type activities net position was \$1,550,728.

Fund Level

- At the close of the fiscal year, the Village's governmental funds reported a combined ending fund balance of \$512,777.
- The General Fund realized \$59,755 less in revenues and other financing sources than anticipated for the fiscal year. The General Fund operations expended \$102,732 less than appropriated.
- Overall, the fund balance of the General Fund decreased by \$59,502 to \$213,068.

Capital Activities

- The total net change to the capital asset schedule for the governmental activities was \$(28,189). The total net change to the capital asset schedule for the business-type activities was \$(35,228).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Village's annual financial report. The annual financial report of the Village consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds and other funds.

Government-wide Financial Statements (Reporting the Village as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Position and the Statement of Activities, which report information about the Village as a whole, and about its activities. Their purpose is to assist in answering the question, is the Village, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business.

This means revenues are accounted for when they are *earned*, and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Position presents all of the Village's assets and liabilities, recording the difference between the two as "net position". Over time, increases or decreases in net position measure whether the Village's financial position is improving or deteriorating.

**VILLAGE OF BARODA
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2019**

The Statement of Activities presents information showing how the Village's net position changed during the 2019 fiscal year. All changes in net position are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- **Governmental Activities** - Most of the Village's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the Village's general government departments, law enforcement, economic development, Village improvements, street improvements, recreation activities, and other Village-wide elected official operations are reported under these activities.
- **Business-type Activities** - These activities operate like private businesses. The Village charges fees to recover the cost of the services provided. The Water Fund and the Sewer Fund make up the business-type activities.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental fund. Capital assets and depreciation expense are reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.

In addition, it should be noted that the government-wide financial statements include the net value of the Village's general capital assets such as buildings, land, vehicles, equipment, infrastructure, etc. These values are not included in the fund financial statements.

Fund Financial Statements (Reporting the Village's Major Funds)

The fund financial statements provide information on the Village's significant (major) funds, and aggregated nonmajor funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Village uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

VILLAGE OF BARODA
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2019

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least 10% of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds 5% of those categories for governmental and enterprise funds combined. The major funds for the Village of Baroda include the General Fund, the Major Street Fund, the Sewer Fund, and the Water Fund. The Village's nonmajor funds were the Local Street Fund and the Revolving Loan Fund.

The Village's funds are divided into two categories - governmental and proprietary - and use different accounting approaches:

- **Governmental Funds** - Most of the Village's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the Village's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted).
- **Proprietary Funds** - Services for which the Village charges customers (whether outside the Village structure or a Village department) a fee is generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. The Village has one type of proprietary fund. *Enterprise funds* report activities that provide supplies and/or services to the general public. Examples are the Sewer Fund and the Water Fund.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 22 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major Special Revenue Funds.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

As previously stated, Village of Baroda's combined net position was \$3,613,004 at the end of this year's operations. The net position of the governmental activities was \$2,062,276; the business-type activities was \$1,550,728.

**VILLAGE OF BARODA
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2019**

Summary of Net Position

The following summarizes the net position as of March 31, 2019 and 2018:

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets	\$ 521,853	\$ 514,398	\$ 752,772	\$ 708,316	\$ 1,274,625	\$ 1,222,714
Capital assets	1,553,548	1,581,737	853,489	888,717	2,407,037	2,470,454
Total assets	2,075,401	2,096,135	1,606,261	1,597,033	3,681,662	3,693,168
Liabilities:						
Current liabilities	13,125	12,643	18,994	26,390	32,119	39,033
Noncurrent liabilities	-	-	36,539	41,161	36,539	41,161
Total liabilities	13,125	12,643	55,533	67,551	68,658	80,194
Net Position:						
Invested in capital assets	1,553,548	1,581,737	812,328	833,070	2,365,876	2,414,807
Restricted	313,206	187,982	-	-	313,206	187,982
Unrestricted	195,522	313,773	738,400	696,412	933,922	1,010,185
Total net position	\$ 2,062,276	\$ 2,083,492	\$ 1,550,728	\$ 1,529,482	\$ 3,613,004	\$ 3,612,974

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Village's net position changed during the fiscal year:

Changes in Net Position for the Fiscal Year Ended March 31, 2019 and 2018

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenue:						
Charges for services	\$ 16,991	\$ 47,582	\$ 283,754	\$ 313,520	\$ 300,745	\$ 361,102
Operating grants and contributions	127,601	127,582	-	94,346	127,601	221,928
Capital grants and contributions	-	6,791	-	-	-	6,791
General Revenues:						
Property taxes	186,739	175,242	-	-	186,739	175,242
State shared revenue	85,322	83,075	-	-	85,322	83,075
Investment earnings	2,613	1,586	28,725	23,973	31,338	25,559
Gain on sale of capital asset	20,350	1,200	5,000	-	25,350	1,200
Miscellaneous	97	2,503	-	14,896	97	17,399
Total Revenues	439,713	445,561	317,479	446,735	757,192	892,296
Expenses:						
General government	255,407	222,539	-	-	255,407	222,539
Public safety	21,538	20,779	-	-	21,538	20,779
Public works	154,433	198,828	-	-	154,433	198,828
Community and Economic Development	5,596	15,433	-	-	5,596	15,433
Recreation and Culture	23,955	19,529	-	-	23,955	19,529
Sewer Operations	-	-	93,129	185,252	93,129	185,252
Water Operations	-	-	203,104	236,425	203,104	236,425
Total Expenses	460,929	477,108	296,233	421,677	757,162	898,785
Change in net position	\$ (21,216)	\$ (31,547)	\$ 21,246	\$ 25,058	\$ 30	\$ (6,489)

**VILLAGE OF BARODA
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2019**

Governmental Activities

The result of 2019 governmental activity was a decrease of \$21,216 in net position to \$2,062,276. Of the total governmental activities' net position, \$1,553,548 is invested in capital assets, \$316,642 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute or by another authority outside the Village government. The balance of \$192,086 is listed as unrestricted, having no legal commitment.

Revenues

The three largest revenue categories were operating grants at 30%, property taxes at 43%, and state shared revenue at 20%. The Village levied 9.8415 mills for operations for the year ended March 31, 2019.

Expenses

General government expended approximately 55% of the governmental activities total and includes the Council, President, Clerk, and Treasurer. Public works is the second largest governmental activity, expending approximately 34% of the governmental activities total and includes the department of public works, drains, public street maintenance, and street lighting.

Business-type Activities

Net position in business-type activities increased \$21,246 during the 2019 fiscal year. Of the business-type activities' net position, \$812,328 is invested in capital assets. The balance of \$738,400 is listed as unrestricted, having no legal commitment.

FINANCIAL ANALYSIS OF THE VILLAGE'S MAJOR FUNDS

As the Village completed the 2019 fiscal year, its major governmental funds reported combined fund balances of \$364,130. This was a net decrease of \$17,572. The net changes to the major governmental funds are summarized in the following chart:

	General Fund	Major Street
Fund Balance 3/31/2019	\$ 213,068	\$ 151,062
Fund Balance 3/31/2018	272,570	109,132
Net Change	\$ (59,502)	\$ 41,930

General Fund

The General Fund is the primary operating fund of the Village. Unless otherwise required by statute, contractual agreement, or Council policy, all Village revenues and expenditures are recorded in the General Fund. As of March 31, 2019, the General Fund reported a fund balance of \$213,068. This amount is a decrease of \$59,502 from the fund balance of \$272,570 reported as of March 31, 2018.

**VILLAGE OF BARODA
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2019**

General Fund Budgetary Highlights

The Village of Baroda's budget is a dynamic document. Although adopted in February each year, the budget is routinely amended during the course of the year to reflect changing operational demands.

The Village's General Fund revenue and other financing sources budget was increased by \$42,033 (12% more than the original budget) due to expected increases in intergovernmental revenue and proceeds on sale of assets during the fiscal year. Actual General Fund revenues totaled \$324,578; \$59,755 below the final amended budget.

The Village's General Fund expenditure budget was increased by \$57,967 (16% more than the original budget) during the fiscal year. General Fund actual expenditures and other financing uses were \$384,080 and the final budgeted amounts totaled \$486,812, which was a 21% difference. The Village was under budget by \$60,000 in transfers out, and under budget by approximately \$24,000 in general governmental services.

Major Street Fund

As of March 31, 2019, the Major Street Fund reported a fund balance of \$151,062, an increase of \$41,930 from the prior year's fund balance, due to an increase in anticipated transfers to other funds. Budgeted expenditures exceeded actual expenditures by \$7,925.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of the fiscal year, the Village had invested \$2,407,037 net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was 2,555,719. Depreciation charges for the fiscal year totaled \$146,027. During the year the Village had infrastructure additions due to the Lemon Creek Street Project, and also had a disposal of land. Additional information related to capital assets is detailed in Note 4 of the Financial Statements.

Net book value of capital assets at March 31, 2019, was as follows:

	Governmental Activities	Business-type Activities	Total
Land	\$ 129,101	\$ 81,110	\$ 210,211
Construction in progress	11,154	27,597	38,751
Buildings and improvements	16,118	2,850	18,968
Land improvements	62,086	-	62,086
Infrastructure	1,166,407	-	1,166,407
Furniture and equipment	141,082	123,997	265,079
Vehicles	300	21,327	21,627
Utility systems	27,300	596,608	623,908
Totals	<u>\$ 1,553,548</u>	<u>\$ 853,489</u>	<u>\$ 2,407,037</u>

**VILLAGE OF BARODA
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2019**

Outstanding Debt as of March 31, 2019:

	<u>April 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Mar. 31, 2019</u>
Governmental activities				
Compensated absences	<u>\$ 3,319</u>	<u>\$ 6,076</u>	<u>\$ (5,346)</u>	<u>\$ 4,049</u>
Business-type activities				
1979 Water System Bonds	\$ 10,000	\$ -	\$ (10,000)	\$ -
2017 NRW Revolving Loan	<u>45,647</u>	<u>-</u>	<u>(4,486)</u>	<u>41,161</u>
Total business-type activities	<u>\$ 55,647</u>	<u>\$ -</u>	<u>\$ (14,486)</u>	<u>\$ 41,161</u>

A more detailed discussion of the Village's long-term debt obligations is presented in Note 5 to the Financial Statements.

VILLAGE OF BARODA GOVERNMENT ECONOMIC OUTLOOK

The Village of Baroda's General Fund budget relies heavily on funds received from the State of Michigan through the two components of State Shared Revenue. Constitutional Revenue Sharing funds have remained consistent through the years, as they are calculated by population. However, what was once statutory revenue sharing, and is now known as EVIP funding has varied greatly. Any shortfalls in the State's projected revenues could affect our revenue sharing funds that we receive through the EVIP program.

The Village is also paying close attention to the proposals from the State Legislature regarding the elimination of the Personal Property Tax. Like State Revenue Sharing, the personal property tax makes up a significant portion of the Village's revenue stream, and the elimination of the tax, without full replacement of the funds generated by the tax will affect the services and programs that the Village is able to provide.

Other factors that the Village is aware of are:

- Property tax revenue does seem to be keeping pace with inflation.
- Investment earnings are at historically low levels due to low market interest rates.
- Health insurance premiums are rising much faster than the rate of inflation.

These and many other factors were considered in adopting the budget for the 2020 fiscal year. As always, the Village continues to look for ways to increase efficiencies and reduce the cost of doing business.

In general, the Village has done well to weather the economic storm, and will continue to be prudent with its resources, while maintaining the high level of public service that our residents expect.

CONTACTING THE VILLAGE

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the resources it receives. If there are questions about this report, or a need for additional information should be addressed to the Village Hall at 9091 First Street, Baroda, Michigan 49101.

BASIC FINANCIAL STATEMENTS

VILLAGE OF BARODA
STATEMENT OF NET POSITION
MARCH 31, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 463,623	\$ 540,427	\$ 1,004,050	\$ 216
Investments	-	183,350	183,350	-
Receivables	38,570	24,050	62,620	-
Due from other governmental units	18,157	-	18,157	-
Prepays	1,503	4,945	6,448	-
Total current assets	521,853	752,772	1,274,625	216
Noncurrent assets:				
Capital assets not being depreciated	140,255	108,707	248,962	-
Capital assets, net of accumulated depreciation	1,413,293	744,782	2,158,075	-
Total noncurrent assets	1,553,548	853,489	2,407,037	-
TOTAL ASSETS	2,075,401	1,606,261	3,681,662	216
LIABILITIES:				
Current liabilities:				
Accounts payable	5,556	11,203	16,759	-
Accrued liabilities	3,520	1,259	4,779	-
Customer deposits payable	-	1,910	1,910	-
Current portion of compensated absences	4,049	-	4,049	-
Current portion of long-term debt	-	4,622	4,622	-
Total current liabilities	13,125	18,994	32,119	-
Noncurrent portion of long-term debt	-	36,539	36,539	-
TOTAL LIABILITIES	13,125	55,533	68,658	-
NET POSITION:				
Net investment in capital assets	1,553,548	812,328	2,365,876	-
Restricted for:				
Public safety	13,497	-	13,497	-
Streets	229,738	-	229,738	-
Community and economic development	69,971	-	69,971	-
Unrestricted	195,522	738,400	933,922	216
TOTAL NET POSITION	\$ 2,062,276	\$ 1,550,728	\$ 3,613,004	\$ 216

See accompanying notes to financial statements.

VILLAGE OF BARODA
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2019

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Program Revenues			Primary Government		Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 255,407	\$ 15,310	\$ 5,445	\$ -	\$ (234,652)	\$ -	\$ -
Public safety	21,538	-	-	-	(21,538)	-	-
Public works	154,433	-	116,752	-	(37,681)	-	-
Community and economic development	5,596	1,681	-	-	(3,915)	-	-
Recreation and culture	23,955	-	5,404	-	(18,551)	-	-
Total governmental activities	460,929	16,991	127,601	-	(316,337)	-	-
Business-type activities:							
Sewer system	93,129	80,528	-	-	-	(12,601)	-
Water system	203,104	203,226	-	-	-	122	-
Total business-type activities	296,233	283,754	-	-	-	(12,479)	-
Total primary government	\$ 757,162	\$ 300,745	\$ 127,601	\$ -	(316,337)	(12,479)	-
Component unit:							
Downtown Development Authority	\$ -	\$ -	\$ -	\$ -	-	-	-
General revenues:							
Property taxes					186,739	-	-
State shared revenue					85,322	-	-
Investment earnings					2,613	28,725	-
Gain on sale of capital assets					20,350	5,000	-
Miscellaneous					97	-	-
Total general revenues					295,121	33,725	-
Change in net position					(21,216)	21,246	-
Net position, beginning of the year					2,083,492	1,529,482	216
Net position, end of the year					\$ 2,062,276	\$ 1,550,728	\$ 216

See accompanying notes to financial statements.

**VILLAGE OF BARODA
GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2019**

	General	Major Street	Nonmajor Governmental Funds	Total
ASSETS:				
Cash	\$ 213,164	\$ 140,321	\$ 110,138	\$ 463,623
Receivables:				
Taxes	4,099	-	-	4,099
Notes	-	-	34,471	34,471
Due from other governmental units	-	13,896	4,261	18,157
Prepays	1,503	-	-	1,503
TOTAL ASSETS	<u>\$ 218,766</u>	<u>\$ 154,217</u>	<u>\$ 148,870</u>	<u>\$ 521,853</u>
LIABILITIES:				
Accounts payable	\$ 2,595	\$ 2,961	\$ -	\$ 5,556
Accrued liabilities	3,103	194	223	3,520
TOTAL LIABILITIES	<u>5,698</u>	<u>3,155</u>	<u>223</u>	<u>9,076</u>
FUND BALANCES:				
Nonspendable:				
Prepays	1,503	-	-	1,503
Long-term receivable	-	-	34,471	34,471
Restricted for:				
Public safety	13,497	-	-	13,497
Streets	-	151,062	78,676	229,738
Community and economic development	-	-	35,500	35,500
Assigned for:				
Subsequent year's expenditures	27,610	-	-	27,610
Unassigned	170,458	-	-	170,458
TOTAL FUND BALANCES	<u>213,068</u>	<u>151,062</u>	<u>148,647</u>	<u>512,777</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 218,766</u>	<u>\$ 154,217</u>	<u>\$ 148,870</u>	<u>\$ 521,853</u>

See accompanying notes to financial statements.

VILLAGE OF BARODA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
MARCH 31, 2019

Total fund balances - governmental funds \$ 512,777

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

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

The cost of capital assets is	\$ 2,347,711
Accumulated depreciation is	<u>(794,163)</u>

Capital assets, net	1,553,548
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Compensated absences	<u>(4,049)</u>
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Net position of governmental activities	<u><u>\$ 2,062,276</u></u>
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**VILLAGE OF BARODA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2019**

	General	Major Street	Nonmajor Governmental Funds	Total
REVENUES:				
Taxes	\$ 186,739	\$ -	\$ -	\$ 186,739
Licenses and permits	11,970	-	-	11,970
Intergovernmental	93,624	81,534	31,911	207,069
Charges for services	3,340	-	-	3,340
Interest and rents	2,604	6	1,684	4,294
Other	5,951	-	-	5,951
TOTAL REVENUES	304,228	81,540	33,595	419,363
EXPENDITURES:				
Current:				
General government	239,943	-	-	239,943
Public safety	21,538	-	-	21,538
Public works	97,241	39,610	8,320	145,171
Community and economic development	5,596	-	-	5,596
Recreation and culture	19,762	-	-	19,762
TOTAL EXPENDITURES	384,080	39,610	8,320	432,010
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(79,852)	41,930	25,275	(12,647)
OTHER FINANCING SOURCES				
Proceeds from sale of assets	20,350	-	-	20,350
NET CHANGE IN FUND BALANCES	(59,502)	41,930	25,275	7,703
Fund balances, beginning of year	272,570	109,132	123,372	505,074
Fund balances, end of year	<u>\$ 213,068</u>	<u>\$ 151,062</u>	<u>\$ 148,647</u>	<u>\$ 512,777</u>

See accompanying notes to financial statements.

VILLAGE OF BARODA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2019

Net change in fund balances - total governmental funds \$ 7,703

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$	41,232
Depreciation expense		<u>(61,203)</u>

Excess of depreciation expense over capital outlay	(19,971)
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The loss on disposal of capital assets is reported in the statement of activities. The loss is not a use of current resources and thus is not reported in the funds.	(8,218)
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in compensated absences	<u>(730)</u>
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Change in net position of governmental activities	<u><u>\$ (21,216)</u></u>
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**VILLAGE OF BARODA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
MARCH 31, 2019**

	Business-type Activities		
	Sewer	Water	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 332,009	\$ 208,418	\$ 540,427
Investments	183,350	-	183,350
Accounts receivable	6,391	17,659	24,050
Prepays	578	4,367	4,945
Total current assets	522,328	230,444	752,772
Noncurrent assets:			
Capital assets not being depreciated	95,534	13,173	108,707
Capital assets, net of accumulated depreciation	426,689	318,093	744,782
Total noncurrent assets	522,223	331,266	853,489
TOTAL ASSETS	1,044,551	561,710	1,606,261
LIABILITIES:			
Current liabilities:			
Accounts payable	1,760	9,443	11,203
Accrued liabilities	646	613	1,259
Customer deposits payable	-	1,910	1,910
Current portion of long-term debt	-	4,622	4,622
Total current liabilities	2,406	16,588	18,994
Noncurrent portion of long-term debt	-	36,539	36,539
TOTAL LIABILITIES	2,406	53,127	55,533
NET POSITION:			
Net investment in capital assets	522,223	290,105	812,328
Unrestricted	519,922	218,478	738,400
TOTAL NET POSITION	\$ 1,042,145	\$ 508,583	\$ 1,550,728

See accompanying notes to financial statements.

**VILLAGE OF BARODA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED MARCH 31, 2019**

	Business-type Activities		
	Sewer	Water	Total
OPERATING REVENUES:			
Charges for services	\$ 80,528	\$ 203,226	\$ 283,754
OPERATING EXPENSES:			
Personnel services	25,534	24,204	49,738
Supplies	1,399	1,080	2,479
Contractual services	4,713	5,129	9,842
Administrative services	1,959	3,259	5,218
Repairs and maintenance	10,403	14,432	24,835
Utilities	5,796	111,692	117,488
Depreciation	43,325	41,500	84,825
TOTAL OPERATING EXPENSES	93,129	201,296	294,425
OPERATING INCOME (LOSS)	(12,601)	1,930	(10,671)
NONOPERATING REVENUES (EXPENSES):			
Investment earnings	6,885	21,840	28,725
Gain on sale of assets	5,000	-	5,000
Interest expense	-	(1,808)	(1,808)
TOTAL NONOPERATING REVENUES (EXPENSES)	11,885	20,032	31,917
CHANGE IN NET POSITION	(716)	21,962	21,246
Net position, beginning of year	1,042,861	486,621	1,529,482
Net position, end of year	\$ 1,042,145	\$ 508,583	\$ 1,550,728

See accompanying notes to financial statements.

**VILLAGE OF BARODA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2019**

	Business-type Activities		
	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	\$ 81,109	\$ 210,124	\$ 291,233
Cash paid to employees	(25,545)	(23,611)	(49,156)
Cash paid to suppliers	(21,128)	(134,962)	(156,090)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 34,436	 51,551	 85,987
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of capital assets	(36,424)	(13,173)	(49,597)
Proceeds from sale of capital assets	5,000	-	5,000
Principal paid on debt	-	(14,486)	(14,486)
Interest paid on debt	-	(1,808)	(1,808)
 NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	 (31,424)	 (29,467)	 (60,891)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(28,314)	-	(28,314)
Interest received	6,885	21,840	28,725
 NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	 (21,429)	 21,840	 411
 NET INCREASE (DECREASE) IN CASH DURING YEAR	 (18,417)	 43,924	 25,507
Cash and cash equivalents, beginning of year	350,426	164,494	514,920
Cash and cash equivalents, end of year	<u>\$ 332,009</u>	<u>\$ 208,418</u>	<u>\$ 540,427</u>
 Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (12,601)	\$ 1,930	\$ (10,671)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:			
Depreciation	43,325	41,500	84,825
Decrease in:			
Accounts receivable	581	6,748	7,329
Prepaid expenses	1,382	654	2,036
Increase (Decrease) in:			
Accounts payable	1,760	(24)	1,736
Customer deposits	-	150	150
Accrued liabilities	(11)	593	582
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 34,436</u>	 <u>\$ 51,551</u>	 <u>\$ 85,987</u>

See accompanying notes to financial statements.

VILLAGE OF BARODA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Baroda (the Village) is located in Berrien County, Michigan and has a population of approximately 875. The Village operates with a Village President/Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, and utility services. The Village Council is made up of the President, President Pro-Tem, and five trustees who are selected at large for overlapping four-year terms.

The financial statements of the Village have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to Village governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Village's more significant accounting policies are described below.

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the Village of Baroda (primary government) and its component unit. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Village.

Discretely Presented Component Unit

The component unit column in the financial statements includes the financial data of the Village's component unit (Downtown Development Authority). The governing body of the Downtown Development Authority is appointed by the Village Council and the Authority's budget is subject to the approval of the Village Council.

Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the primary government as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, unrestricted State revenue sharing payments, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

VILLAGE OF BARODA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS

The fund financial statements present the Village's individual major funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

- a. The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Major Street Fund is used to account for restricted Act 51 financial resources that are used for repairs and maintenance of the Village's major streets.

The Village reports the following major enterprise funds:

- a. The Sewer Fund accounts for resources generated by providing sewer services to residents of the Village; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- b. The Water Fund accounts for resources generated by providing water services to residents of the Village; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

VILLAGE OF BARODA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as receivables and unavailable revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

The General Fund and major Special Revenue Fund budgets shown as required supplementary information to the financial statements were prepared on a basis consistent with the modified accrual basis used to reflect actual results. The Village employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to April 1, the Village Council prepares the proposed operating budgets for the fiscal year commencing April 1. The operating budget includes proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to April 1, the budgets are legally adopted with passage by Council vote.
- d. The budgets are legally adopted at the functional level for all funds.
- e. After the budgets are adopted, all transfers of budgeted amounts between accounts within a fund or activity or any revisions that alter the total expenditures of a fund or activity must be approved by the Village Council.
- f. The Village does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at March 31 are not carried forward to the following fiscal year.

VILLAGE OF BARODA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

- g. Budgeted amounts are reported as originally adopted or as amended by the Village Council during the year. Individual amendments were appropriately approved by the Village Council in accordance with required procedures.

Cash and Investments

Cash consists of various money market, checking and savings accounts, and cash on hand. Investments during the year consisted of pooled investment funds and certificates of deposit with original maturities over 90 days. Investments are stated at fair value.

Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services and amounts owed to the Village from taxes.

Prepaids

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaids in the financial statements. Reported prepaid expenditures are equally offset by nonspendable fund balance, which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental and business-type activities columns. Capital assets are those with an initial individual cost of \$500 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition cost on the date received.

The Village has elected to use the prospective method of accounting for infrastructure assets, whereby it will capitalize its infrastructure assets acquired on or after July 1, 2003, as permitted by GASB Statement No. 34.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Furniture and equipment	5 - 15 years
Land improvements	15 - 20 years
Infrastructure	20 - 30 years
Vehicles	7 - 10 years
Utility systems	10 - 40 years

VILLAGE OF BARODA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Compensated Absences

It is the Village's policy to permit employees to accumulate earned, but unused vacation pay benefits. Vested compensated absences are accrued when earned in the government-wide financial statements.

Property Tax

The Village of Baroda bills and collects its own property taxes. The Village's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the Village of Baroda on July 1 for property values assessed as of December 31 the prior year and are payable without penalty through September 15. All real property taxes not paid to the Village by September 15 are turned over to the Berrien County Treasurer for collection and are considered delinquent. The Berrien County Treasurer remits payments to the Village on any delinquent real property taxes. Delinquent personal property taxes are retained by the Village for subsequent collection. Village property tax revenues are recognized as revenues in the fiscal year levied.

The Village is permitted by charter to levy taxes up to 12.5 mills (\$12.50 per \$1,000 of assessed valuation) for general governmental services. For the year ended March 31, 2019, the Village levied 9.8415 mills per \$1,000 of taxable valuation. The taxable value for the 2018 levy for the property within the Village was \$18,295,139.

Restricted Net Position

Restrictions of net positions shown in the government-wide financial statements indicate restrictions imposed by the funding source or some other outside source, which precludes their use for unrestricted purposes.

Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

Tax Abatements

The Village's tax revenues have been reduced by tax abatements throughout the Village. Management determined these amounts to be immaterial to the financial statements.

VILLAGE OF BARODA
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Village is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, or a State or Federally chartered savings and loan association, savings, bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of March 31, 2019, the carrying amounts of the Village's deposits were \$1,161,673 and the bank balance was \$1,175,327 of which \$848,077 was covered by federal depository insurance. The balance of \$327,250 was uninsured and uncollateralized. The cash caption on the primary government's financial statements includes \$100 of petty cash.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

VILLAGE OF BARODA
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurements (continued)

There are three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would be using in pricing an investment, and would be based on the best information available.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

The Village had the following fair value measurements as of March 31, 2019:

	Fair Value Measurements					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Weighted Average Maturity	S&P Rating
PRIMARY GOVERNMENT:						
Uncategorized pooled investment funds						
Michigan CLASS	\$ -	\$ 25,843	\$ -	\$ 25,843	40 days	AAAm

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The rating information on the Village's investments as of March 31, 2019 is reflected in the table above.

Interest Rate Risk

The Village has not adopted a policy that addresses interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Concentration of Credit Risk

The Village has not adopted a policy that indicates how the Village will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer.

VILLAGE OF BARODA
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk

The Village has not adopted a policy that indicates how the Village will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments of collateral securities that are in possession of an outside party by diversifying its investments by institution to ensure that potential losses on individual securities do not exceed the income generated by the remainder of the portfolio.

The cash and investments referred to above have been reported in either the cash or investments captions on the financial statements, based upon criteria disclosed in Note 1. The following summarizes the categorization of these amounts as of March 31, 2019:

	Primary Government	Component Unit	Reporting Entity
Cash and cash equivalents	\$ 1,004,050	\$ 216	\$ 1,004,266
Investments	183,350	-	183,350
	<u>\$ 1,187,400</u>	<u>\$ 216</u>	<u>\$ 1,187,616</u>

NOTE 3 - NOTES RECEIVABLE

On February 1, 2018, the Village loaned a business \$40,000. Payments of \$800, including interest of 4.00%, are due in monthly installments through February 2023. The loan was collateralized with the business property.

Annual payments due to the Village in accordance with the promissory notes are as follows:

Year Ending March 31,	Principal	Interest	Total
2020	\$ 8,374	\$ 1,226	\$ 9,600
2021	8,715	885	9,600
2022	9,070	530	9,600
2023	8,312	163	8,475
	<u>\$ 34,471</u>	<u>\$ 2,804</u>	<u>\$ 37,275</u>

VILLAGE OF BARODA
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2019, was as follows:

	Balance April 1, 2018	Additions	Deletions	Balance Mar. 31, 2019
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 137,319	\$ -	\$ (8,218)	\$ 129,101
Construction in progress	-	11,154	-	11,154
Subtotal	<u>137,319</u>	<u>11,154</u>	<u>(8,218)</u>	<u>140,255</u>
Capital assets being depreciated:				
Buildings and improvements	60,690	-	-	60,690
Land improvements	146,128	-	-	146,128
Infrastructure	1,491,308	30,078	-	1,521,386
Furniture and equipment	436,900	-	(532)	436,368
Vehicles	4,000	-	-	4,000
Utility systems	38,884	-	-	38,884
Subtotal	<u>2,177,910</u>	<u>30,078</u>	<u>(532)</u>	<u>2,207,456</u>
Less accumulated depreciation for:				
Buildings and improvements	(43,409)	(1,163)	-	(44,572)
Land improvements	(79,090)	(4,952)	-	(84,042)
Infrastructure	(317,582)	(37,397)	-	(354,979)
Furniture and equipment	(279,499)	(16,319)	532	(295,286)
Vehicles	(3,300)	(400)	-	(3,700)
Utility systems	(10,612)	(972)	-	(11,584)
Subtotal	<u>(733,492)</u>	<u>(61,203)</u>	<u>532</u>	<u>(794,163)</u>
Net capital assets being depreciated	<u>1,444,418</u>	<u>(31,125)</u>	<u>-</u>	<u>1,413,293</u>
Capital assets, net	<u>\$ 1,581,737</u>	<u>\$ (19,971)</u>	<u>\$ (8,218)</u>	<u>\$ 1,553,548</u>

Depreciation expense was allocated to the following governmental activities:

General government	\$ 6,516
Public works	50,494
Recreation and culture	<u>4,193</u>
Total depreciation expense	<u>\$ 61,203</u>

VILLAGE OF BARODA
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CAPITAL ASSETS (continued)

	Balance April 1, 2018	Additions	Deletions	Balance Mar. 31, 2019
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 81,110	\$ -	\$ -	\$ 81,110
Construction in progress	-	27,597	-	27,597
Subtotal	81,110	27,597	-	108,707
Capital assets being depreciated:				
Buildings and improvements	4,500	-	-	4,500
Furniture and equipment	226,242	22,000	(17,000)	231,242
Utility systems	2,239,003	-	-	2,239,003
Vehicles	31,594	-	-	31,594
Subtotal	2,501,339	22,000	(17,000)	2,506,339
Less accumulated depreciation for:				
Buildings and improvements	(1,200)	(450)	-	(1,650)
Furniture and equipment	(98,282)	(25,963)	17,000	(107,245)
Utility systems	(1,587,142)	(55,253)	-	(1,642,395)
Vehicles	(7,108)	(3,159)	-	(10,267)
Subtotal	(1,693,732)	(84,825)	17,000	(1,761,557)
Net capital assets being depreciated	807,607	(62,825)	-	744,782
Capital assets, net	<u>\$ 888,717</u>	<u>\$ (35,228)</u>	<u>\$ -</u>	<u>\$ 853,489</u>

Depreciation expense was charged to the following business-type activities:

Sewer system	\$ 43,325
Water system	41,500
Total depreciation expense	<u>\$ 84,825</u>

VILLAGE OF BARODA
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Village for the year ended March 31, 2019:

	Balance April 1, 2018	Additions	Deletions	Balance Mar. 31, 2019	Amounts Due Within One Year
Governmental activities:					
Compensated absences	\$ 3,319	\$ 6,076	\$ (5,346)	\$ 4,049	\$ 4,049
Business-type activities:					
1979 Water System Bond	\$ 10,000	\$ -	\$ (10,000)	\$ -	\$ -
2017 NRWA Revolving Loan	45,647	-	(4,486)	41,161	4,622
Total business-type activities	\$ 55,647	\$ -	\$ (14,486)	\$ 41,161	\$ 4,622

Significant details regarding outstanding long-term debt (including current portion) are presented below.

Governmental Activities

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused vacation pay. The dollar amount of these vested rights have been recorded in the financial statements of the governmental activities. As of March 31, 2019, the total was \$4,049. The General Fund is typically used to liquidate compensated absences liabilities.

Business-type Activities

Revolving Loan

The Village borrowed funds from the National Rural Water Association Revolving Loan Fund in the amount of \$50,000 on January 27, 2017, due in monthly installments ranging from \$380 to \$482 through March 1, 2027, plus interest of 3.00% paid monthly.

\$ 41,161

The annual requirements to pay the debt principal and interest outstanding for the loan is as follows:

Year Ending March 31,	2017 NRWA Revolving Loan	
	Principal	Interest
2020	\$ 4,622	\$ 1,172
2021	4,763	1,031
2022	4,907	886
2023	5,057	737
2024	5,211	583
2025-2027	16,601	779
	<u>\$ 41,161</u>	<u>\$ 5,188</u>

VILLAGE OF BARODA
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - RETIREMENT PLAN

The Village provides pension benefits for all full-time employees through the Village of Baroda Retirement Plan, a defined contribution plan, which is administered by the Village. Full-time employees are eligible to make an elective deferral, up to 100% of their compensation, into the plan after one month of service. Employees can defer up to \$18,000 during the plan year and, if over the age of 50, can defer up an additional amount of \$6,000. They may also rollover a portion into a rollover account. All full-time employees are eligible to receive profit sharing contributions from Village after completing one year of service. The Village has established a profit sharing rate of up to 6% for each full-time employee. During the fiscal year, the Village made contributions to the Plan in the amount of \$7,821 and the Plan's covered payroll was \$130,354. Distributions from the plan can be made after termination of employment, at the age of 59 and a half, from the rollover contribution account, or upon death. Any changes to the plan are the responsibility of the Village President and Plan Trustee, Robert Getz.

NOTE 7 - DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five fund balance classifications under this standard.

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision-making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the Village's highest level of decision-making authority is the Village Council. The formal action that is required to be taken to establish and modify or rescind a fund balance commitment is the adoption of a Council resolution.

For assigned fund balance, the Village has not approved a policy indicating who is authorized to assign amounts to a specific purpose, therefore the authority for assigning fund balance remains with the Village Council.

VILLAGE OF BARODA
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - DETAILS OF FUND BALANCE CLASSIFICATIONS (continued)

The Village has not formally adopted a policy that determines when both restricted and unrestricted fund balances are available which should be used first, therefore restricted resources will be used first, then unrestricted resources if they are needed.

The Village has not formally adopted a policy that determines whether committed, assigned, or unassigned amounts are considered to be spent when an expenditure is incurred for purposes which amounts from any of those fund balance classifications could be used.

NOTE 8 - CONSTRUCTION CODE FEES

The Village oversees building construction, in accordance with the State's construction code act, including inspection of building construction and renovation to ensure compliance with the building codes. The Village charges fees for these services. Beginning January 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs.

A summary of construction code act transactions for the year ended March 31, 2019, is as follows:

Balance at April 1, 2018	\$ 14,326
REVENUES:	
Building and mechanical permits	4,112
EXPENDITURES:	
Inspections	<u>(4,941)</u>
Balance at March 31, 2019	<u>\$ 13,497</u>

NOTE 9 - RISK MANAGEMENT

The Village participates in the Michigan Township Participating Plan (the Plan) with other municipalities for auto, employee benefits, property, public officials, electronic data processing (EDP), crime, inland marine, boiler and machinery, and liability losses. The Plan is organized under Public Act 138 of 1982, as amended. Settled claims relating to this insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Village also carries commercial insurance for workers' compensation losses. Settled claims relating to this insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 - CONTRACTUAL COMMITMENTS

In October 2013, the Village entered into a 10-year agreement with Leary Construction Company, Inc. for preventative maintenance and protection of the Village's water tower. The agreement calls for annual payments of \$7,000 through October 2022.

VILLAGE OF BARODA
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying fiduciary activities for all state and local governments, focusing on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries for whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Village is current evaluating the impact this standard will have on the financial statements when adopting during the 2019-2020 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases*. The statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases the previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Village is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Payments*. This statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The Village is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019-2020 fiscal year.

NOTE 12 - SUBSEQUENT EVENT

In July 2019, the Village issued Water Revenue Bonds of \$222,000 and Capital Improvement Bonds of \$517,000 for the purpose of upgrading water systems and infrastructure. Future revenues are anticipated to be sufficient to repay these obligations.

REQUIRED SUPPLEMENTARY INFORMATION

**VILLAGE OF BARODA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED MARCH 31, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 190,850	\$ 192,150	\$ 186,739	\$ (5,411)
Licenses and permits	15,200	16,200	11,970	(4,230)
Intergovernmental	81,200	93,822	93,624	(198)
Charges for services	17,700	19,011	3,340	(15,671)
Fines and forfeitures	150	150	-	(150)
Interest and rents	1,000	3,000	2,604	(396)
Other	6,200	9,000	5,951	(3,049)
TOTAL REVENUES	312,300	333,333	304,228	(29,105)
EXPENDITURES:				
Current:				
General government:				
Council	10,100	10,100	9,513	587
President	9,295	19,125	18,661	464
Clerk	59,075	61,940	59,211	2,729
Treasurer	21,175	14,205	11,607	2,598
Building and grounds	29,850	61,422	59,619	1,803
Attorney	17,500	18,500	16,370	2,130
Audit	7,500	23,500	22,305	1,195
Other	38,300	55,050	42,657	12,393
Total general government	192,795	263,842	239,943	23,899
Public safety:				
Police and fire	15,600	16,800	14,341	2,459
Ordinance enforcement	1,750	2,600	2,163	437
Inspections	8,925	8,675	5,034	3,641
Total public safety	26,275	28,075	21,538	6,537
Public works:				
Department of public works	90,925	92,415	88,626	3,789
Drains	-	60	53	7
Highways and streets	5,700	900	686	214
Street lighting	8,600	9,350	7,876	1,474
Total public works	105,225	102,725	97,241	5,484
Community and economic development:				
Planning and zoning	4,850	4,920	3,043	1,877
Downtown Development Authority	8,000	5,500	2,553	2,947
Community outreach	1,000	-	-	-
Total community and economic development	13,850	10,420	5,596	4,824
Recreation and culture:				
Parks and recreation	30,700	21,750	19,762	1,988
TOTAL EXPENDITURES	368,845	426,812	384,080	42,732
EXCESS OF REVENUES (UNDER) EXPENDITURES	(56,545)	(93,479)	(79,852)	13,627
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	30,000	51,000	20,350	(30,650)
Transfers out	(15,900)	(60,000)	-	60,000
TOTAL OTHER FINANCING SOURCES (USES)	14,100	(9,000)	20,350	29,350
NET CHANGE IN FUND BALANCE	(42,445)	(102,479)	(59,502)	42,977
Fund balance, beginning of year	272,570	272,570	272,570	-
Fund balance, end of year	<u>\$ 230,125</u>	<u>\$ 170,091</u>	<u>\$ 213,068</u>	<u>\$ 42,977</u>

**VILLAGE OF BARODA
MAJOR STREET FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED MARCH 31, 2019**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Intergovernmental	\$ 67,350	\$ 82,682	\$ 81,534	\$ (1,148)
Interest	50	50	6	(44)
TOTAL REVENUES	67,400	82,732	81,540	(1,192)
EXPENDITURES:				
Current:				
Public works				
Preservation	14,950	8,450	6,782	1,668
Construction	25,500	27,500	27,114	386
Traffic services	1,550	50	-	50
Winter maintenance	15,100	7,650	5,398	2,252
Administration	2,800	3,885	316	3,569
TOTAL EXPENDITURES	59,900	47,535	39,610	7,925
NET CHANGE IN FUND BALANCE	7,500	35,197	41,930	6,733
Fund balance, beginning of year	109,132	109,132	109,132	-
Fund balance, end of year	<u>\$ 116,632</u>	<u>\$ 144,329</u>	<u>\$ 151,062</u>	<u>\$ 6,733</u>

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF BARODA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2019

	<u>Special Revenue Funds</u>		
	<u>Local Street</u>	<u>Revolving Loan</u>	<u>Total</u>
ASSETS:			
Cash	\$ 74,638	\$ 35,500	\$ 110,138
Notes receivable	-	34,471	34,471
Due from other governmental units	4,261	-	4,261
TOTAL ASSETS	\$ 78,899	\$ 69,971	\$ 148,870
LIABILITIES:			
Accrued liabilities	\$ 223	\$ -	\$ 223
FUND BALANCES:			
Nonspendable	-	34,471	34,471
Restricted for:			
Streets	78,676	-	78,676
Community and economic development	-	35,500	35,500
TOTAL FUND BALANCES	78,676	69,971	148,647
TOTAL LIABILITIES AND FUND BALANCES	\$ 78,899	\$ 69,971	\$ 148,870

VILLAGE OF BARODA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2019

	<u>Special Revenue Funds</u>		
	<u>Local Street</u>	<u>Revolving Loan</u>	<u>Total</u>
REVENUES:			
Intergovernmental	\$ 31,911	\$ -	\$ 31,911
Interest	3	1,681	1,684
TOTAL REVENUES	<u>31,914</u>	<u>1,681</u>	<u>33,595</u>
EXPENDITURES:			
Current:			
Public works	<u>8,320</u>	<u>-</u>	<u>8,320</u>
NET CHANGE IN FUND BALANCES	<u>23,594</u>	<u>1,681</u>	<u>25,275</u>
Fund balances, beginning of year	<u>55,082</u>	<u>68,290</u>	<u>123,372</u>
Fund balances, end of year	<u>\$ 78,676</u>	<u>\$ 69,971</u>	<u>\$ 148,647</u>

**VILLAGE OF BARODA
COMPONENT UNIT FUND
BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY
MARCH 31, 2019**

ASSETS:

Cash	<u>\$ 216</u>
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FUND BALANCE:

Unassigned	<u>\$ 216</u>
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Note: Reconciliation of the governmental fund balance sheet to the statement of net position for this component unit is not required as the fund balance was equal to the net position as of March 31, 2019.

**VILLAGE OF BARODA
COMPONENT UNIT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
DOWNTOWN DEVELOPMENT AUTHORITY
YEAR ENDED MARCH 31, 2019**

REVENUES:		
Other revenue	\$	-
EXPENDITURES:		
Current:		
Community and economic development		-
NET CHANGE IN FUND BALANCE		-
Fund balance, beginning of year		216
Fund balance, end of year	\$	216

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities is not required as the net change in fund balance was equal to the change in net position for the year ended March 31, 2019.