



VILLAGE OF BARODA

BERRIEN COUNTY, MICHIGAN

FINANCIAL REPORT
March 31, 2023

VILLAGE OF BARODA
Berrien County, Michigan
March 31, 2023

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Berrien County, Michigan
March 31, 2023

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Independent Auditor's Report

To the Village Council
Village of Baroda
Berrien County, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Baroda, Michigan (the "Village"), as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village as of March 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditor's Report, Continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

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

Independent Auditor's Report, Concluded

Required Supplementary Information

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

Supplementary 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 accompanying combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 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 29, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
September 29, 2023

Using this Annual Report

This report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of Village of Baroda (the "Village") as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

Financial Highlights

The Village's combined net position increased 4.7% from a year ago, increasing from \$3,702,588 to \$3,879,816. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase in net position of \$141,338 during the year, while the business-type activities experienced an increase in net position of \$35,890.

Overview of the Financial Statements

This report consists of four parts: *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and *other supplementary information*. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Village government, reporting the Village's operations in more detail than the government-wide statements.
 - The *governmental funds statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - *Proprietary fund statements* offer *short- and long-term* financial information about the activities the government operates *like businesses*.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Village's net position and how it has changed, which is one way to measure the Village's financial health, or position.

- Over time, increases or decreases in the Village's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village you need to consider additional non-financial factors such as changes in the Village's property tax base and condition of the Village's infrastructure.

The government-wide financial statements of the Village are divided into two categories:

- Governmental activities – Most of the Village's basic services are included here, such as general government, law enforcement, economic development, Village improvements, street improvements, recreation activities, and other Village-wide elected official operations are reported under these activities. Property taxes and state shared revenue finance most of 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 statement 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 statement 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 statement but is reported on the fund financial statement of the governmental fund. Payments on long-term debt and the usage of compensated absences are reported as expenditures on the fund financial statement of the governmental funds.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's most significant funds – not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.
- The Village Council establishes other funds to control and manage money for a particular purpose or to show that it is properly using certain taxes and grants (i.e., Capital Improvement Fund).

The Village has the following two kinds of funds:

- *Governmental Funds*—Most of the Village's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Governmental funds include the General Fund, as well as Special Revenue Funds (used of fund balance is restricted).
- *Proprietary Funds*—Services for which the Village charges customers a fee is generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The Village has one type of proprietary fund. Enterprises fund report activities that provide supplies and/or services to the general public. Examples are the Sewer Fund and the Water Fund.

Financial Analysis of the Village as a Whole

In a condensed format, the following table below shows a breakdown of the Village's net position as of March 31st:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Current assets	\$ 803,831	\$ 581,143	\$ 1,008,099	\$ 868,478	\$ 1,811,930	\$ 1,449,621
Noncurrent assets	2,128,289	2,198,150	822,156	867,420	2,950,445	3,065,570
Total assets	\$ 2,932,120	\$ 2,779,293	\$ 1,830,255	\$ 1,735,898	\$ 4,762,375	\$ 4,515,191
Current liabilities	\$ 112,613	\$ 90,124	\$ 94,588	\$ 28,615	\$ 207,201	\$ 118,739
Noncurrent liabilities	448,000	459,000	227,358	234,864	675,358	693,864
Total liabilities	\$ 560,613	\$ 549,124	\$ 321,946	\$ 263,479	\$ 882,559	\$ 812,603
Net investment in capital assets	\$ 1,669,289	\$ 1,729,150	\$ 586,587	\$ 624,499	\$ 2,255,876	\$ 2,353,649
Restricted net position	396,391	347,521	-	-	396,391	347,521
Unrestricted net position	305,827	153,498	921,722	847,920	1,227,549	1,001,418
Total net position	\$ 2,371,507	\$ 2,230,169	\$ 1,508,309	\$ 1,472,419	\$ 3,879,816	\$ 3,702,588

The Village's current assets increased by \$362,309 from the prior year primarily due to an increase in cash and cash equivalents. Noncurrent assets decreased by \$115,125, largely due to the depreciation of fixed assets and a sale of land. Liabilities increased by \$69,956, largely due to an increase in internal balances between governmental and business-type funds.

Financial Analysis of the Village as a Whole, Concluded

The following table shows the changes in net position for years ended March 31st:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Program Revenues						
Charges for services	\$ 14,566	\$ 59,204	\$ 314,859	\$ 300,048	\$ 329,425	\$ 359,252
Operating grants and contributions	123,673	121,849	-	-	123,673	121,849
General Revenues						
Property taxes	231,893	219,894	-	-	231,893	219,894
State revenue	143,119	163,462	-	-	143,119	163,462
Interest and rentals	596	523	10,848	7,205	11,444	7,728
Other revenue	23,948	1,913	250	-	24,198	1,913
Gain on sale of fixed asset	22,737	-	-	-	22,737	-
Total Revenues	<u>\$ 560,532</u>	<u>\$ 566,845</u>	<u>\$ 325,957</u>	<u>\$ 307,253</u>	<u>\$ 886,489</u>	<u>\$ 874,098</u>
Program Expenses						
General government	\$ 160,778	\$ 166,176	\$ -	\$ -	\$ 160,778	\$ 166,176
Public safety	23,203	14,837	-	-	23,203	14,837
Public works	184,273	207,119	-	-	184,273	207,119
Recreation and culture	29,356	22,751	-	-	29,356	22,751
Community and economic development	1,824	1,591	-	-	1,824	1,591
Interest	19,760	16,569	2,599	2,640	22,359	19,209
Sewer	-	-	83,764	115,027	83,764	115,027
Water	-	-	203,704	213,542	203,704	213,542
Total Expenses	<u>\$ 419,194</u>	<u>\$ 429,043</u>	<u>\$ 290,067</u>	<u>\$ 331,209</u>	<u>\$ 709,261</u>	<u>\$ 760,252</u>
Change in Net Position	<u>\$ 141,338</u>	<u>\$ 137,802</u>	<u>\$ 35,890</u>	<u>\$ (23,956)</u>	<u>\$ 177,228</u>	<u>\$ 113,846</u>
Beginning Net Position	2,230,169	2,092,367	1,472,419	1,496,375	3,702,588	3,588,742
Ending Net Position	<u>\$ 2,371,507</u>	<u>\$ 2,230,169</u>	<u>\$ 1,508,309</u>	<u>\$ 1,472,419</u>	<u>\$ 3,879,816</u>	<u>\$ 3,702,588</u>

The Village's revenues increased by \$12,391 from the prior year, mainly due to increased property tax revenue. Total expenses decreased by \$50,991 from the prior year, mainly due to decrease in sewer and water expenses.

Governmental Activities

The Village's total governmental activities revenues decreased by \$6,313 from the prior year, due largely to decreased charges for services and state revenues.

Governmental activities expenses decreased by \$9,849, due largely to a decrease in expenses for public works.

Revenues

The three largest revenue categories were property taxes at 41%, state revenue at 26%, and operating grants and contributions at 22%. The Village levied 9.6166 mills for operations for the year ended March 31, 2023.

Expenses

Public works expended approximately 44% of the governmental activities total and included the department of public works, drains, public street maintenance, and street lighting. General government is the second largest governmental activity, expending approximately 38% of the governmental activities total and includes the Council, President, Clerk, and Treasurer. An increase from the prior fiscal year is related to greater depreciation expense. A decrease from the prior fiscal year is primarily due to lower capital outlay costs for general government.

Business-Type Activities

Net position in business-type activities increased \$35,890 during the current fiscal year. Of the business-type activities' net position, \$586,587 is invested in capital assets. The balance of \$921,722 is listed as unrestricted, having no legal commitment.

The Village's Funds

Our analysis of the Village's funds begins following the government-wide financial statements. The net changes to the major governmental funds are summarized in the following table:

	General Fund	Major Street Fund	Local Street Fund
Fund balance 3/31/2023	\$ 232,973	\$ 253,657	\$ 36,912
Fund balance 3/31/2022	124,136	180,046	19,972
Net change	<u>\$ 108,837</u>	<u>\$ 73,611</u>	<u>\$ 16,940</u>

The Village's Fund, Concluded

- *General Fund:* This 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. At March 31st, the General Fund reported a fund balance of \$232,973. This fund balance increased by \$108,837 during the current year, primarily due to an increase property taxes and state grant revenues, and a sale of land.
- *Major Street Fund:* At March 31st, the Major Street Fund reported a fund balance of \$253,657. This fund balance increased by \$73,611 during the current year, primarily due to a decrease in street project costs during the year.
- *Local Street Fund:* At March 31st, the Local Street Fund reported a fund balance of \$36,912. This fund balance increased by \$16,940 during the current year, primarily due to a decrease in street projects during the year.

General Fund Budgetary Highlights

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

The Village's General Fund revenue and other financing sources budget did not change during the fiscal year. Budgeted General Fund revenues and other financing sources exceeded actual revenues by \$63,711.

The Village's General Fund expenditures budget were adjusted during the fiscal year in order to reflect current year activity more accurately. General Fund actual expenditures and other financing uses were within budget, being less than the budgeted amount by \$125,933.

Capital Asset and Debt Administration

At the end of the fiscal year, the Village had invested \$2,950,445, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$3,160,734 (\$1,085,031 for governmental activities and \$2,075,703 for business-type activities). Depreciation charges for the fiscal year totaled \$148,976 (\$85,712 for governmental activities and \$63,264 for business-type activities). During the year, the Village had additions related to the Lemon Creek Street Project and the purchase of a loader backhoe. Additional information related to capital assets is detailed in the Notes to the Financial Statements.

Net book value of capital assets at year-end was as follows:

	Governmental Activities	Business-type activities	Total
Land	\$ 104,450	\$ 81,110	\$ 185,560
Construction in progress	27,902	-	27,902
Buildings and improvements	56,848	1,050	57,898
Land improvements	42,610	-	42,610
Infrastructure	1,264,467	-	1,264,467
Furniture and equipment	3,333	43,323	46,656
Vehicles	73,267	687,984	761,251
Utility systems	555,412	8,689	564,101
Total	<u>\$ 2,128,289</u>	<u>\$ 822,156</u>	<u>\$ 2,950,445</u>

Outstanding debt during the year was as follows:

	April 1, 2022	Change	March 31, 2023
Governmental activities			
General obligation bonds	\$ 470,000	\$ (11,000)	\$ 459,000
Business-type activities			
General obligations bonds	216,000	(3,000)	213,000
Notes from direct borrowings and direct placements	26,921	(4,352)	22,569
Total	<u>\$ 712,921</u>	<u>\$ (18,352)</u>	<u>\$ 694,569</u>

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

Economic Factors and Next Year's Budgets and Rates

The Village's budget for 2024 has been modified to reflect the prior year's activities. The Village Council will continue to monitor the budget on a monthly basis to ensure fiscal responsibility.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village Hall at 9091 First Street, Baroda, Michigan 49101.

Basic Financials Statements

GOVERNMENT-WIDE STATEMENT OF NET POSITION
March 31, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 681,457	\$ 975,090	\$ 1,656,547
Receivables	13,383	33,009	46,392
Due from other governmental units	43,266	-	43,266
Internal balances	65,725	-	65,725
Noncurrent assets			
Capital assets not being depreciated	132,352	81,110	213,462
Capital assets being depreciated, net	1,995,937	741,046	2,736,983
Total assets	<u>\$ 2,932,120</u>	<u>\$ 1,830,255</u>	<u>\$ 4,762,375</u>
Liabilities			
Accounts payable	\$ 16	\$ 17,335	\$ 17,351
Accrued wages and taxes	2,353	985	3,338
Unearned revenue	99,244	-	99,244
Customer deposits payable	-	2,332	2,332
Internal balances	-	65,725	65,725
Noncurrent liabilities			
Long-term obligations, due in one year	11,000	8,211	19,211
Long-term obligations, due in more than one year	448,000	227,358	675,358
Total liabilities	<u>\$ 560,613</u>	<u>\$ 321,946</u>	<u>\$ 882,559</u>
Net Position			
Net investment in capital assets	\$ 1,669,289	\$ 586,587	\$ 2,255,876
Restricted for:			
Public works	290,569	-	290,569
Public safety	822	-	822
Capital improvements	105,000	-	105,000
Unrestricted	305,827	921,722	1,227,549
Total net position	<u>\$ 2,371,507</u>	<u>\$ 1,508,309</u>	<u>\$ 3,879,816</u>

The Notes to the Financial Statements are an integral part of this statement.

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended March 31, 2023

Functions/Programs	Expenses	Program Revenues			Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Net (Expense) Revenue
Primary Government							
<i>Governmental Activities</i>							
General government	\$ 160,778	\$ 12,275	\$ -	\$ -	\$ (148,503)	\$ -	\$ (148,503)
Public safety	23,203	2,291	-	-	(20,912)	-	(20,912)
Public works	184,273	-	123,673	-	(60,600)	-	(60,600)
Recreation and culture	29,356	-	-	-	(29,356)	-	(29,356)
Community and economic development	1,824	-	-	-	(1,824)	-	(1,824)
Interest	19,760	-	-	-	(19,760)	-	(19,760)
Total governmental activities	<u>\$ 419,194</u>	<u>\$ 14,566</u>	<u>\$ 123,673</u>	<u>\$ -</u>	<u>\$ (280,955)</u>	<u>\$ -</u>	<u>\$ (280,955)</u>
<i>Business-Type Activities</i>							
Sewer	\$ 83,764	\$ 84,153	\$ -	\$ -	\$ -	\$ 389	\$ 389
Water	206,303	230,706	-	-	-	24,403	24,403
Total business-type activities	<u>\$ 290,067</u>	<u>\$ 314,859</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,792</u>	<u>\$ 24,792</u>
Total primary government	<u>\$ 709,261</u>	<u>\$ 329,425</u>	<u>\$ 123,673</u>	<u>\$ -</u>	<u>\$ (280,955)</u>	<u>\$ 24,792</u>	<u>\$ (256,163)</u>
General Revenues:							
Property taxes					\$ 231,893	\$ -	\$ 231,893
State revenues					143,119	-	143,119
Interest and rentals					596	10,848	11,444
Other revenues					23,948	250	24,198
Gain on sale of fixed asset					22,737	-	22,737
Total general revenues					<u>\$ 422,293</u>	<u>\$ 11,098</u>	<u>\$ 433,391</u>
Change in net position					\$ 141,338	\$ 35,890	\$ 177,228
Net position-beginning of year					2,230,169	1,472,419	3,702,588
Net position-end of year					<u>\$ 2,371,507</u>	<u>\$ 1,508,309</u>	<u>\$ 3,879,816</u>

The Notes to the Financial Statements are an integral part of this statement.

GOVERNMENTAL FUNDS BALANCE SHEET
March 31, 2023

	<u>Special Revenue Funds</u>			Nonmajor	Total
	General	Major Street	Local Street	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
Assets					
Cash and cash equivalents	\$ 300,209	\$ 233,463	\$ 7,606	\$ 140,179	\$ 681,457
Receivables					
Taxes	6,642	-	-	-	6,642
Notes	-	-	-	6,741	6,741
Due from other governmental funds	562	16,756	19,395	10,426	47,139
Due from proprietary funds	47,515	-	-	28,071	75,586
Due from other governments	-	32,766	10,500	-	43,266
Total assets	<u>\$ 354,928</u>	<u>\$ 282,985</u>	<u>\$ 37,501</u>	<u>\$ 185,417</u>	<u>\$ 860,831</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 16	\$ -	\$ -	\$ -	\$ 16
Accrued wages and taxes	2,254	72	27	-	2,353
Due to other governmental funds	27,182	19,395	562	-	47,139
Due to proprietary funds	-	9,861	-	-	9,861
Unearned revenue	92,503	-	-	6,741	99,244
Total liabilities	<u>\$ 121,955</u>	<u>\$ 29,328</u>	<u>\$ 589</u>	<u>\$ 6,741</u>	<u>\$ 158,613</u>
Fund Balances					
Restricted for:					
Streets	\$ -	\$ 253,657	\$ 36,912	\$ -	\$ 290,569
Community and economic development	-	-	-	73,676	73,676
Public safety	822	-	-	-	822
Capital improvements	-	-	-	105,000	105,000
Unassigned	232,151	-	-	-	232,151
Total fund balances	<u>\$ 232,973</u>	<u>\$ 253,657</u>	<u>\$ 36,912</u>	<u>\$ 178,676</u>	<u>\$ 702,218</u>
Total liabilities and fund balances	<u>\$ 354,928</u>	<u>\$ 282,985</u>	<u>\$ 37,501</u>	<u>\$ 185,417</u>	<u>\$ 860,831</u>

The Notes to the Financial Statements are an integral part of this statement.

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
March 31, 2023**

Total Fund Balances - Governmental Funds \$ 702,218

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

Net capital assets used in governmental activities are not current financial resources and are not reported in the funds. 2,128,289

Long-term liabilities are not due and payable in the current period and are not reported in the funds. (459,000)

Total Net Position - Governmental Activities \$ 2,371,507

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year Ended March 31, 2023**

		Special Revenue Funds		Nonmajor	Total
	General	Major Street	Local Street	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
Revenues					
Property taxes	\$ 231,893	\$ -	\$ -	\$ -	\$ 231,893
Licenses and permits	12,275	-	-	-	12,275
State grants	143,119	93,827	29,846	-	266,792
Charges for services	1,480	-	-	811	2,291
Interest income	317	276	3	-	596
Other	23,948	-	-	-	23,948
Total revenues	<u>\$ 413,032</u>	<u>\$ 94,103</u>	<u>\$ 29,849</u>	<u>\$ 811</u>	<u>\$ 537,795</u>
Expenditures					
General government	\$ 186,897	\$ -	\$ -	\$ -	\$ 186,897
Public safety	23,203	-	-	-	23,203
Public works	84,898	20,492	12,909	-	118,299
Recreation and culture	24,000	-	-	-	24,000
Community and economic development	1,824	-	-	-	1,824
Debt service					
Principal	11,000	-	-	-	11,000
Interest	19,760	-	-	-	19,760
Total expenditures	<u>\$ 351,582</u>	<u>\$ 20,492</u>	<u>\$ 12,909</u>	<u>\$ -</u>	<u>\$ 384,983</u>
Excess of Revenues Over Expenditures	<u>\$ 61,450</u>	<u>\$ 73,611</u>	<u>\$ 16,940</u>	<u>\$ 811</u>	<u>\$ 152,812</u>
Other Financing Sources					
Proceeds from sale of capital assets	<u>\$ 47,387</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,387</u>
Net Change in Fund Balances	<u>\$ 108,837</u>	<u>\$ 73,611</u>	<u>\$ 16,940</u>	<u>\$ 811</u>	<u>\$ 200,199</u>
Fund Balances, beginning of year	<u>124,136</u>	<u>180,046</u>	<u>19,972</u>	<u>177,865</u>	<u>502,019</u>
Fund Balances, end of year	<u><u>\$ 232,973</u></u>	<u><u>\$ 253,657</u></u>	<u><u>\$ 36,912</u></u>	<u><u>\$ 178,676</u></u>	<u><u>\$ 702,218</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO STATEMENT OF ACTIVITIES
Year Ended March 31, 2023**

Net Change in Fund Balances - Governmental Funds \$ 200,199

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

Governmental funds report capital outlay as expenditures: in the statement of activities,
these costs are allocated over their estimated useful lives as depreciation;

Depreciation expense	(85,712)
Capital outlay	40,501

The net effect of various miscellaneous transaction involving capital assets (i.e., sale and disposals with remaining estimated useful lives is to decrease net	(24,650)
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Principal payments on long-term debt are expenditures in the governmental funds,
but the payments reduce long-term debt in the statement of net position and
do not affect the statement of activities.

11,000

Change in Net Position - Governmental Activities	<u><u>\$ 141,338</u></u>
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PROPRIETARY FUNDS STATEMENT OF NET POSITION
Year Ended MARCH 31, 2023

	Business-type Activities		
	Sewer Fund	Water Fund	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 581,216	\$ 393,874	\$ 975,090
Accounts receivables	8,073	24,936	33,009
Due from governmental funds	-	9,861	9,861
Due from other proprietary funds	-	39,429	39,429
Total current assets	<u>\$ 589,289</u>	<u>\$ 468,100</u>	<u>\$ 1,057,389</u>
Noncurrent assets			
Capital assets not being depreciated	\$ 81,110	\$ -	\$ 81,110
Capital assets, net of accumulated depreciation	362,243	378,803	741,046
Total noncurrent assets	<u>\$ 443,353</u>	<u>\$ 378,803</u>	<u>\$ 822,156</u>
 Total Assets	 <u>\$ 1,032,642</u>	 <u>\$ 846,903</u>	 <u>\$ 1,879,545</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 1,141	\$ 16,194	\$ 17,335
Accrued liabilities	513	472	985
Due to governmental funds	50,291	25,295	75,586
Due to other proprietary funds	39,429	-	39,429
Customer deposits payable	-	2,332	2,332
Current portion of long-term debt	-	8,211	8,211
Total current liabilities	<u>\$ 91,374</u>	<u>\$ 52,504</u>	<u>\$ 143,878</u>
Noncurrent liabilities			
Noncurrent portion of long-term debt	<u>-</u>	<u>227,358</u>	<u>227,358</u>
 Total Liabilities	 <u>\$ 91,374</u>	 <u>\$ 279,862</u>	 <u>\$ 371,236</u>
Net position			
Net investment in capital assets	\$ 443,353	\$ 143,234	\$ 586,587
Unrestricted	497,915	423,807	921,722
Total Net Position	<u>\$ 941,268</u>	<u>\$ 567,041</u>	<u>\$ 1,508,309</u>

The Notes to the Financial Statements are an integral part of this statement.

**PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Year Ended MARCH 31, 2023**

	Business-type Activities		
	Sewer Fund	Water Fund	Total
Operating revenues			
Charges for services	\$ 84,153	\$ 230,706	\$ 314,859
Rental revenue	-	8,775	8,775
Total operating revenues	<u>\$ 84,153</u>	<u>\$ 239,481</u>	<u>\$ 323,634</u>
Operating expenses			
Personnel services	\$ 10,593	\$ 4,502	\$ 15,095
Supplies	3,028	3,404	6,432
Contractual services	13,136	29,441	42,577
Administrative services	3,966	-	3,966
Repairs and maintenance	3,522	24,615	28,137
Utilities	4,958	123,039	127,997
Depreciation	44,561	18,703	63,264
Total operating expenses	<u>\$ 83,764</u>	<u>\$ 203,704</u>	<u>\$ 287,468</u>
Operating income (loss)	<u>\$ 389</u>	<u>\$ 35,777</u>	<u>\$ 36,166</u>
Nonoperating revenue (Expenses)			
Investment earnings	\$ 1,510	\$ 563	\$ 2,073
Interest expense	-	(2,599)	(2,599)
Miscellaneous revenue	-	250	250
Total nonoperating revenues (expenses)	<u>\$ 1,510</u>	<u>\$ (1,786)</u>	<u>\$ (276)</u>
Change in net position	<u>\$ 1,899</u>	<u>\$ 33,991</u>	<u>\$ 35,890</u>
Net position, beginning of year	<u>939,369</u>	<u>533,050</u>	<u>1,472,419</u>
Net position, end of year	<u><u>\$ 941,268</u></u>	<u><u>\$ 567,041</u></u>	<u><u>\$ 1,508,309</u></u>

The Notes to the Financial Statements are an integral part of this statement.

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS
Year Ended MARCH 31, 2023

	Business-type Activities		
	Sewer	Water	Total
Cash flows from operating activities			
Cash receipts from customers	\$ 79,932	\$ 228,120	\$ 308,052
Other cash collected	-	250	250
Cash paid to employees	75,161	(28,497)	46,664
Cash paid to suppliers	(24,759)	(173,225)	(197,984)
Net cash flows from by operating activities	<u>\$ 130,334</u>	<u>\$ 26,648</u>	<u>\$ 156,982</u>
Cash flows from capital and related financing activities			
Purchase of capital assets	\$ (17,000)	\$ (1,000)	\$ (18,000)
Principal paid on debt	-	(7,352)	(7,352)
Interest paid on debt	-	(2,599)	(2,599)
Net cash flows from capital and related financing activities	<u>\$ (17,000)</u>	<u>\$ (10,951)</u>	<u>\$ (27,951)</u>
Cash flows form investing activities			
Interest received	\$ 1,510	\$ 563	\$ 2,073
Net cash flows from investing activities	<u>\$ 1,510</u>	<u>\$ 563</u>	<u>\$ 2,073</u>
Net change in cash during the year	\$ 114,844	\$ 16,260	\$ 131,104
Cash and cash equivalents, beginning of year	<u>466,372</u>	<u>377,614</u>	<u>843,986</u>
Cash and cash equivalents, end of year	<u><u>\$ 581,216</u></u>	<u><u>\$ 393,874</u></u>	<u><u>\$ 975,090</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities			
Operating income (loss)	\$ 389	\$ 35,777	\$ 36,166
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	44,561	18,703	63,264
(Increase) Decrease in:			
Accounts receivable	(6,841)	(11,361)	(18,202)
Prepaid expenses	2,620	7,065	9,685
Due to/from governmental funds	50,291	15,434	65,725
Due to/from other proprietary funds	39,429	(39,429)	-
Increase (decrease) in:			
Accounts payable	(115)	53	(62)
Customer deposits	-	156	156
Net cash flows from operating activities	<u><u>\$ 130,334</u></u>	<u><u>\$ 26,398</u></u>	<u><u>\$ 156,732</u></u>

The Notes to the Financial Statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Village of Baroda (the “Village”) is governed by a Village Council which consists of a President, Pro-Tem, and five trustees. The Village provides, or contributes to the providing of, the following services to its residents as provided by statute: sewer, water, garbage, streets, planning and zoning, general administrative and other services.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applicable to municipalities. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Village’s significant accounting policies are described below.

A. Reporting Entity

As required by GAAP, these financial statements present the Village and its component units, entities for which the Village is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Village’s operations, so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the financial statements to emphasize they are legally separate from the Village. The Village currently has no separate legal entities for which it is financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenue.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**B. Government-Wide and Fund Financial Statements, Concluded**

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a 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.

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued

Property Taxes – The Village’s property taxes attach as an enforceable lien on July 1st, on the taxable valuation of property (as defined by State statutes) located in the Village and payable by September 14th. The Village’s current year ad valorem tax is levied and collectible on July 1st of each year.

Village property tax revenue is recognized as revenue in the current year when the proceeds of this levy are budgeted and made “available” for the financing of operations. “Available” means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2023 taxable valuation of the Village totaled \$25,151,495, on which ad valorem taxes levied which consisted of 9.6166 mills for the Village’s operating purposes. This amount is recognized in the General Fund’s financial statements as taxes receivable or as tax revenue.

The Village reports the following major funds:

Governmental Funds:

General Fund – The General Fund accounts for all revenues and expenditures of the Village which are not accounted for in the other funds. Revenues are primarily derived from general property taxes, other local taxes, licenses and permits, local revenue sharing, and fees and revenues from the State of Michigan.

Major Street Fund – The Major Street Fund accounts for the use of allocated state gas and weight taxes used for the maintenance and construction of major streets within the Village.

Local Street Fund – The Local Street Fund accounts for the use of allocated state gas and weight taxes used for the maintenance and construction of local streets within the Village.

Proprietary Funds:

Sewer Fund – The Sewer Fund is used to account for the activities of the Village’s sewage collection system.

Water Fund – The Water Fund is used to account for the provision of water services to the residents of the Village.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Concluded**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds relate to charges to customers for sales and services. The water fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Bank Deposits and Cash Equivalents—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 when acquired. Cash equivalents includes amounts held with Michigan Cooperative Liquid Assets Securities System (“CLASS”). All certificates of deposit are classified as cash equivalents, regardless of maturity.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes for the Village and Berrien County are levied on July 1st of each year. Delinquent taxes are returned to the Village upon settlement with Berrien County.

Inventories and Prepaid Items—Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets—Capital assets, which include land, equipment, infrastructure assets (e.g., sewer and water systems, streets and similar items) are reported in the government-wide financial statements. Capital assets are also presented in the proprietary fund statements. Assets having a useful life in excess of two years and whose costs exceed \$500 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset’s useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity, Continued

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there was no interest that was capitalized.

Depreciation on the capital assets of the primary government is computed using the straight-line method over the following estimated useful lives:

Building Improvements	15 to 50 years
Equipment	20 to 40 years
Vehicles	5 to 15 years
Infrastructure - streets	10 to 20 years
Infrastructure - sewer and water systems	40 years

Long-Term Obligations—In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as expenditures.

Deferred Inflows of Resources—In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of sources (revenue) until that time.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity, Continued

Fund Equity—The Village follows the provisions of GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes 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 Village's fund balance classifications:

Non-Spendable Fund Balance - includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - includes amounts that can be spent only for specific purposes stipulated by what the external resource provides (for example grant providers, constitutionally, or through enabling legislation). Effectively, restrictions may be changed or lifted only with the consent of resource providers.

Committed Fund Balance - includes amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed constraint originally.

Assigned Fund Balance – includes amounts that are constrained by the government's intent to be used for a specific purpose but are neither restricted nor committed.

Unassigned Fund Balance – is the residual classification for General Fund. This classification represents governmental fund balances that have not been assigned to other funds or that have not been restricted, committed, or assigned to specific purposes within the respective governmental fund balances.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity, Continued

Fund Equity Flow Assumption—Sometimes the Village will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position Flow Assumption—Sometimes the Village will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Estimates—The process of preparing financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, as well as deferred outflows and deferred inflows of resources at the date of the financial statements and the reported amounts of revenue and expenditures and expenses during the period. Actual results could differ from those estimates.

Right-of-Use Assets and Lease Liability—The Village recognizes lease liabilities with an initial, individual value of \$10,000 or more. As of March 31, 2023, the Village had no right of use assets or lease liabilities.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**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.

- Prior to April 1, the Village Council (the “Council”) prepares the proposed operating budgets for the fiscal year commencing April 1. The operating budget includes proposed expenditures and resources to finance them.
- A Public Hearing is conducted to obtain taxpayers’ comments.
- Prior to April 1, the budgets are legally adopted with passage by Council vote.
- 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 Council.
- 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.
- Budgeted amounts are reported as originally adopted or as amended by the Council during the year. Individual amendments were appropriately approved by the Council in accordance with required procedures.

The budget document presents information by fund function. The legal level of budgetary control adopted by the governing board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Village to have its budget in place by January 1st. Expenditures in excess of the amounts budgeted is a violation of P.A. 621 of 1978, Section 18(1) as amended.

State law permits the Village to amend its budgets during the year. There were multiple amendments made during the current year.

Fund Balance / Net Position Deficits—The Village has no accumulated fund balance/net position deficits in its reported funds.

NOTE 3. CASH AND CASH EQUIVALENTS

Custodial Credit Risk – 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. The Village maintains some cash balances using sweep accounts to invest idle cash in U.S. Government backed securities. Non-sweep accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of March 31, 2023, \$1,102,010 of the Village's bank deposit balance of \$1,634,113 was exposed to custodial credit risk because it was in excess of FDIC coverage limits.

Custodial Credit Risk – Investments. For an investment, this 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 or collateral securities that are in the possession of an outside party. The Village faces no such risk in the current year.

Interest Rate Risk. In accordance with its investment policy, the Village will minimize 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, by designing the investment portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, considering the investment risk constraints and the cash flow characteristics of the portfolio.

Investment type	Fair value	Weighted Average Maturity (Years)
Primary government		
Michigan CLASS Investment Pool	\$ 27,235	0.49975

Credit Risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations ("NRSROs").

Investment type	Fair value	Standard & Poor's Rating
Primary government		
Michigan CLASS Investment Pool	\$ 27,235	AAAm

Concentration of Credit Risk. 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, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

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

NOTE 3. CASH AND CASH EQUIVALENTS, CONCLUDED

Investments in Entities that Calculate Net Asset Value Per Share. The Village also holds shares or interests in the Michigan CLASS investment pool which invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated “A1” or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, Villages, school districts, authorities, and other public agencies.

At the year ended March 31, 2023, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

Investment type	Fair value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Primary government				
Michigan CLASS Investment Pool	\$ 27,235	\$ -	No restrictions	None

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria in Note 1. The following summarizes the categorization of these amounts as of March 31, 2023:

	Primary government
Cash and cash equivalents	\$1,656,547
Total	\$1,656,547

NOTE 4. NOTES RECEIVABLE

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

On August 10, 2020 the Village loaned a business \$8,700. Variable payments including interest of 1.00% are due in monthly installments through February 2026. The loan was collateralized with business property.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended MARCH 31, 2023

NOTE 4. NOTES RECEIVABLE, CONCLUDED

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

Year Ending March 31	Principal	Interest	Total
2024	\$ 1,793	\$ 30	\$ 1,823
2025	1,494	109	1,603
2026	299	-	299
	<u>\$ 3,586</u>	<u>\$ 139</u>	<u>\$ 3,725</u>

NOTE 5. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund receivables is as follows:

Receivable Fund	Payable Fund	
Revolving Loan Fund	General Fund	\$ 10,426
Major Street Fund	General Fund	16,756
General Fund	Local Street Fund	562
General Fund	Sewer Fund	22,220
General Fund	Water Fund	25,295
Local Street Fund	Major Street Fund	19,395
Downtown Capital Improvement Fund	Sewer Fund	28,071
Total		<u>\$ 122,725</u>

The General Fund owes the Revolving Loan Fund for expenditures paid but not yet reimbursed.

NOTE 6. UNEARNED REVENUE

Coronavirus State and Local Fiscal Recovery Funds. The Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program, a part of the American Rescue Plan Act, delivered \$350 billion to state, local, and Tribal governments across the country to support their response to and recovery from the COVID-19 public health emergency. The Village received \$46,344 and \$46,159 from the program for the years ended March 31, 2023 and 2022, respectively. The total expenditures incurred during the fiscal year was \$0. Accordingly, the \$92,503 is reported as unearned revenue as of March 31, 2023.

Additionally, the Revolving Loan Fund has \$6,741 of unearned revenue related to receivables that were not collected within 60 days of fiscal year-end.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended MARCH 31, 2023

NOTE 7. CAPITAL ASSETS

Capital asset activity for the current year ended March 31st was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
<i>Governmental Activities</i>				
Capital assets not being depreciated:				
Land	\$ 129,100	\$ -	\$ (24,650)	\$ 104,450
Construction in progress	27,902	-	-	27,902
Subtotal	<u>\$ 157,002</u>	<u>\$ -</u>	<u>\$ (24,650)</u>	<u>\$ 132,352</u>
Capital assets being depreciated:				
Building and improvements	\$ 80,690	\$ 29,645	\$ -	\$ 110,335
Land improvements	146,128	-	-	146,128
Infrastructure	1,766,008	-	-	1,766,008
Vehicles	5,000	-	-	5,000
Furniture and equipment	433,739	10,856	-	444,595
Utility systems	608,902	-	-	608,902
Subtotal	<u>\$ 3,040,467</u>	<u>\$ 40,501</u>	<u>\$ -</u>	<u>\$ 3,080,968</u>
Accumulated depreciation:				
Building and improvements	\$ (50,713)	\$ (2,774)	\$ -	\$ (53,487)
Land improvements	(98,649)	(4,869)	-	(103,518)
Infrastructure	(478,059)	(23,482)	-	(501,541)
Vehicles	(1,167)	(500)	-	(1,667)
Furniture and equipment	(337,152)	(34,176)	-	(371,328)
Utility systems	(33,579)	(19,911)	-	(53,490)
Subtotal	<u>\$ (999,319)</u>	<u>\$ (85,712)</u>	<u>\$ -</u>	<u>\$ (1,085,031)</u>
Net capital assets being depreciated	<u>\$ 2,041,148</u>	<u>\$ (45,211)</u>	<u>\$ -</u>	<u>\$ 1,995,937</u>
Net capital assets	<u>\$ 2,198,150</u>	<u>\$ (45,211)</u>	<u>\$ (24,650)</u>	<u>\$ 2,128,289</u>

Depreciation was charged to programs for the governmental-type activities as follows:

General government	\$ 7,382
Public works	72,974
Recreation and culture	5,356
Total	<u>\$ 85,712</u>

NOTES TO THE FINANCIAL STATEMENTS
Year Ended MARCH 31, 2023

NOTE 7. CAPITAL ASSETS, CONCLUDED

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities</i>				
Capital assets not being depreciated:				
Land	\$ 81,110	\$ -	\$ -	\$ 81,110
Capital assets being depreciated:				
Buildings and improvement	\$ 4,500	\$ -	\$ -	\$ 4,500
Furniture and equipment	231,244	2,000	-	233,244
Utility systems	2,531,411	16,000	-	2,547,411
Vehicles	31,594	-	-	31,594
Subtotal	<u>\$ 2,798,749</u>	<u>\$ 18,000</u>	<u>\$ -</u>	<u>\$ 2,816,749</u>
Accumulated depreciation:				
Buildings and improvement	\$ (3,000)	\$ (450)	\$ -	\$ (3,450)
Furniture and equipment	(185,701)	(4,220)	-	(189,921)
Utility systems	(1,803,992)	(55,435)	-	(1,859,427)
Vehicles	(19,746)	(3,159)	-	(22,905)
Subtotal	<u>\$ (2,012,439)</u>	<u>\$ (63,264)</u>	<u>\$ -</u>	<u>\$ (2,075,703)</u>
Net capital assets being depreciated	<u>\$ 786,310</u>	<u>\$ (45,264)</u>	<u>\$ -</u>	<u>\$ 741,046</u>
Net capital assets	<u>\$ 867,420</u>	<u>\$ (45,264)</u>	<u>\$ -</u>	<u>\$ 822,156</u>
Depreciation was charged to programs for the business-type activities as follows:				
Sewer system	\$ 44,561			
Water system	18,703			
Total	<u>\$ 63,264</u>			

NOTES TO THE FINANCIAL STATEMENTS
Year Ended MARCH 31, 2023

NOTE 8. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations (including current portion) of the Village for the year ended March 31, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Direct borrowing and direct placements					
General Obligation Bonds					
<i>2019 Capital Improvement Bonds</i>					
\$517,000 Capital Improvement Bonds dated					
July 30, 2019, due in annual installments					
ranging from \$10,000 to \$27,000 annually					
through July 1, 2049, with interest of					
3.50%, payable semi-annually.	\$ 470,000	\$ -	\$ (11,000)	\$ 459,000	\$ 11,000
Total governmental activities	\$ 470,000	\$ -	\$ (11,000)	\$ 459,000	\$ 11,000
Business-type Activities					
Direct borrowings and direct placements					
Revenue Bonds					
<i>2019 Water Revenue Bonds</i>					
\$222,000 Water Revenue Bonds dated July					
30, 2019, due in annual installments ranging					
from \$3,000 to \$11,000 annually through					
July 1, 2059 with interest of 2.75%, payable					
semi-annually.	\$ 216,000	\$ -	\$ (3,000)	\$ 213,000	\$ 3,000
Notes payable					
<i>2017 NRWA Revolving Loan</i>					
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 \$391 to					
\$482 through March 1, 2027, plus interest					
of 3.00% paid monthly.	26,921	-	(4,352)	22,569	5,211
Total business-type activities	\$ 242,921	\$ -	\$ (7,352)	\$ 235,569	\$ 8,211
Total	\$ 712,921	\$ -	\$ (18,352)	\$ 694,569	\$ 19,211

NOTE 8. LONG-TERM OBLIGATIONS, CONCLUDED

The annual requirements to pay the debt principal and interest outstanding for the bonds and loans are as follows:

Year Ending March 31,	Governmental Activities		Business-type Activities	
	Direct borrowings and direct placements		Direct borrowings and direct placements	
	Principal	Interest	Principal	Interest
2024	\$ 11,000	\$ 16,818	\$ 8,211	\$ 6,389
2025	11,000	16,433	8,369	6,159
2026	12,000	16,030	9,532	5,898
2027	12,000	15,610	10,457	5,620
2028	13,000	15,173	4,000	5,417
2029-2033	71,000	68,688	20,000	25,435
2034-2038	84,000	55,125	24,000	22,468
2039-2043	100,000	39,060	26,000	19,031
2044-2048	119,000	19,968	30,000	15,125
2049-2053	26,000	1,400	35,000	10,657
2054-2058	-	-	40,000	5,500
2059-2060	-	-	20,000	577
	<u>\$ 459,000</u>	<u>\$ 264,305</u>	<u>\$ 235,569</u>	<u>\$ 128,276</u>

NOTE 9. RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village carries insurance for these risks. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in either of the past two fiscal years.

NOTE 10. TAX ABATEMENTS

As of March 31, 2023, management has evaluated tax abatements related to the Village and determined there are no tax abatements for disclosure.

NOTE 11. 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.

NOTE 11. CONSTRUCTION CODE FEES, CONCLUDED

A summary of construction code act transactions for the year ended March 31, 2023, is as follows:

Balance at April 1, 2022	\$ 42,503
Revenues	
Building and mechanical permits	5,174
Less Expenditures	
Inspections	(33,468)
Indirect costs	(13,387)
Balance at March 31, 2023	<u>\$ 822</u>

NOTE 12. RISK MANAGEMENT

The Village participates in the Michigan Village Participating Plan (the Plan) with other municipalities for auto, employee benefits, property, public officials, electronic data processing (EDP), crime, inland marine, boiler and machinery, law enforcement, 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 the 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 13. CHANGE IN ACCOUNTING PRINCIPLE

For the year ended March 31, 2023, the Village implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

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

There was no material impact on the Village's financial statement after the adoption of GASB Statement 87.

NOTE 14. UPCOMING ACCOUNTING PRONOUNCEMENTS

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Village is currently evaluating the impact this standard will have on the financial statements when adopted during fiscal year 2024.

NOTE 15. SUBSEQUENT EVENTS

The Village has evaluated subsequent events through September 29, 2023, the date the financial statements were available to be issued. No events or transactions occurred during this period which require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY SCHEDULE
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year Ended March 31, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	\$ 242,390	\$ 242,390	\$ 231,893	\$ (10,497)
Licenses and permits	63,100	63,100	12,275	(50,825)
State grants	169,159	169,159	143,119	(26,040)
Charges for services	4,531	4,531	1,480	(3,051)
Fines and forfeits	150	150	-	(150)
Interest	600	600	317	(283)
Other	4,200	4,200	23,948	19,748
Total revenues	<u>\$ 484,130</u>	<u>\$ 484,130</u>	<u>\$ 413,032</u>	<u>\$ (71,098)</u>
Expenditures				
General Government				
Council	\$ 17,300	\$ 17,300	\$ 8,948	\$ 8,352
President	20,075	20,075	23,782	(3,707)
Clerk	42,080	42,080	45,664	(3,584)
Treasurer	31,915	31,915	10,325	21,590
Buildings and grounds	20,900	20,900	34,148	(13,248)
Attorney	8,500	8,500	2,235	6,265
Audit	20,000	20,000	28,988	(8,988)
Other	65,140	65,140	32,807	32,333
Total general government	<u>\$ 225,910</u>	<u>\$ 225,910</u>	<u>\$ 186,897</u>	<u>\$ 39,013</u>
Public Safety				
Police and fire	\$ 15,500	\$ 15,500	\$ -	\$ 15,500
Ordinance enforcement	2,500	2,500	891	1,609
Inspections	7,000	26,500	22,312	4,188
Total public safety	<u>\$ 25,000</u>	<u>\$ 44,500</u>	<u>\$ 23,203</u>	<u>\$ 21,297</u>
Public works				
Department of public works	\$ 119,430	\$ 119,430	\$ 73,955	\$ 45,475
Highways and streets	20,500	20,500	4,957	15,543
Street lighting	3,000	3,000	5,986	(2,986)
Total public works	<u>\$ 142,930</u>	<u>\$ 142,930</u>	<u>\$ 84,898</u>	<u>\$ 58,032</u>
Community and economic development				
Planning and zoning	\$ 3,550	\$ 3,550	\$ 1,824	\$ 1,726
Recreation and Culture				
Parks and recreation	\$ 23,050	\$ 23,050	\$ 24,000	\$ (950)
Debt Service				
Principal	\$ 10,000	\$ 10,000	\$ 11,000	\$ (1,000)
Interest	17,575	17,575	19,760	(2,185)
Total debt service	<u>\$ 27,575</u>	<u>\$ 27,575</u>	<u>\$ 30,760</u>	<u>\$ (3,185)</u>
Total expenditures	<u>\$ 448,015</u>	<u>\$ 467,515</u>	<u>\$ 351,582</u>	<u>\$ 115,933</u>
Excess of Revenues Over Expenditures	<u>\$ 36,115</u>	<u>\$ 16,615</u>	<u>\$ 61,450</u>	<u>\$ 44,835</u>
Other Financing Sources (Uses)				
Proceeds from sale of assets	\$ 40,000	\$ 40,000	\$ 47,387	\$ 7,387
Operating transfers out	(10,000)	(10,000)	-	10,000
Total other financing resources	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 47,387</u>	<u>\$ 17,387</u>
Net change in fund balance	<u>\$ 66,115</u>	<u>\$ 46,615</u>	<u>\$ 108,837</u>	<u>\$ 62,222</u>
Fund Balance, Beginning of Year	<u>124,136</u>	<u>124,136</u>	<u>124,136</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 190,251</u></u>	<u><u>\$ 170,751</u></u>	<u><u>\$ 232,973</u></u>	<u><u>\$ 62,222</u></u>

REQUIRED SUPPLEMENTARY SCHEDULE
BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND
Year Ended March 31, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
State grants	\$ 75,000	\$ 75,000	\$ 93,827	\$ 18,827
Interest	300	300	276	(24)
Total revenues	<u>\$ 75,300</u>	<u>\$ 75,300</u>	<u>\$ 94,103</u>	<u>\$ 18,803</u>
Expenditures				
Public works				
Preservation	\$ 26,950	\$ 26,950	\$ 17,233	\$ 9,717
Construction	210,000	210,000	788	209,212
Traffic services	-	-	1,036	(1,036)
Winter maintenance	16,250	16,250	529	15,721
Administration	6,000	6,000	906	5,094
Total expenditures	<u>\$ 259,200</u>	<u>\$ 259,200</u>	<u>\$ 20,492</u>	<u>\$ 238,708</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (183,900)</u>	<u>\$ (183,900)</u>	<u>\$ 73,611</u>	<u>\$ 257,511</u>
Other Financing Sources (Uses)				
Operating transfers in	<u>\$ 185,000</u>	<u>\$ 185,000</u>	<u>\$ -</u>	<u>\$ (185,000)</u>
Net change in fund balance	<u>\$ 1,100</u>	<u>\$ 1,100</u>	<u>\$ 73,611</u>	<u>\$ 72,511</u>
Fund Balance, Beginning of Year	<u>180,046</u>	<u>180,046</u>	<u>180,046</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 181,146</u></u>	<u><u>\$ 181,146</u></u>	<u><u>\$ 253,657</u></u>	<u><u>\$ 72,511</u></u>

REQUIRED SUPPLEMENTARY SCHEDULE
BUDGETARY COMPARISON SCHEDULE – LOCAL STREET FUND
Year Ended March 31, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
State grants	\$ 25,000	\$ 25,000	\$ 29,846	\$ 4,846
Interest	45	45	3	(42)
Total revenues	<u>\$ 25,045</u>	<u>\$ 25,045</u>	<u>\$ 29,849</u>	<u>\$ 4,804</u>
Expenditures				
Public works				
Preservation	\$ 5,300	\$ 5,300	\$ 11,173	\$ (5,873)
Winter maintenance	6,500	6,500	1,736	4,764
Administration	1,640	1,640	-	1,640
Capital outlay	2,000	2,000	-	2,000
Total expenditures	<u>\$ 15,440</u>	<u>\$ 15,440</u>	<u>\$ 12,909</u>	<u>\$ 2,531</u>
Excess of Revenues Over Expenditures	<u>\$ 9,605</u>	<u>\$ 9,605</u>	<u>\$ 16,940</u>	<u>\$ 7,335</u>
Other Financing Sources (Uses)				
Operating transfers in	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ (10,000)</u>
Net change in fund balance	\$ 19,605	\$ 19,605	\$ 16,940	\$ (2,665)
Fund Balance, Beginning of Year	19,972	19,972	19,972	-
Fund Balance, End of Year	<u><u>\$ 39,577</u></u>	<u><u>\$ 39,577</u></u>	<u><u>\$ 36,912</u></u>	<u><u>\$ (2,665)</u></u>

OTHER SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
March 31, 2023

	Capital Improvement Fund	Revolving Loan	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 76,929	\$ 63,250	\$ 140,179
Receivables			
Notes	-	6,741	6,741
Due from other governmental funds	-	10,426	10,426
Due from proprietary funds	28,071	-	28,071
Total assets	<u>\$ 105,000</u>	<u>\$ 80,417</u>	<u>\$ 185,417</u>
Liabilities and Fund Balances			
Liabilities			
Unearned revenue	\$ -	\$ 6,741	\$ 6,741
Total liabilities	<u>\$ -</u>	<u>\$ 6,741</u>	<u>\$ 6,741</u>
Fund Balances			
Restricted for			
Community and economic development	\$ -	\$ 73,676	\$ 73,676
Capital improvements	105,000	-	105,000
Total fund balances	<u>\$ 105,000</u>	<u>\$ 73,676</u>	<u>\$ 178,676</u>
Total liabilities and fund balances	<u>\$ 105,000</u>	<u>\$ 80,417</u>	<u>\$ 185,417</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended March 31, 2023**

	Capital Improvement Fund	Revolving Loan	Total Nonmajor Governmental Funds
Revenues			
Charges for services	\$ -	\$ 811	\$ 811
Net Change in Fund Balances	\$ -	\$ 811	\$ 811
Fund Balances, beginning of year	105,000	72,865	177,865
Fund Balances, end of year	<u>\$ 105,000</u>	<u>\$ 73,676</u>	<u>\$ 178,676</u>

**Management Compliance
Letter**



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

To the Village Council
Village of Baroda
Berrien County, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Baroda, Michigan (the "Village") as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 29, 2023.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses (Findings 2023-001, 2023-002, and 2023-003).

A *significant deficiency*, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as 2023-004 to be a significant deficiency.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village’s financial statements are free from 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 financial statements. 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2023-005.

Village of Baroda’s Response to Findings

The Village’s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Village’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Certified Public Accountants

St. Joseph, Michigan
September 29, 2023

SECTION I – CURRENT YEAR FINANCIAL STATEMENTS FINDINGS

2023-001 – Preparation of Financial Statements (Material Weakness)

Specific Requirement: Establishment and maintenance of internal controls over the financial reporting process.

Criteria: The Village is required to prepare financial statements in accordance with generally accepted accounting principles (“GAAP”). This is a responsibility of the Village’s management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e. maintaining internal books and records), and (2) reporting financial statements, including the related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller-sized entities, the Village has relied on its independent auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the Village’s ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the Village’s internal controls.

Cause: The Village does not staff individuals with appropriate expertise to prepare complete financial statements in compliance with GAAP.

Effect of Condition: The effect of this condition places a reliance on the independent auditor to be part of the Village’s internal controls over financial reporting.

Recommendation: The Village should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

View of Responsible Officials and Planned Corrective Action: We are aware of this deficiency. However, due to budgetary constraints, we have not developed these processes. We intend to re-evaluate if additional funding becomes available.

SECTION I – CURRENT YEAR FINANCIAL STATEMENTS FINDINGS, CONTINUED

2023-002 – Material Audit Adjustments (Material Weakness)

Specific Requirement: Establishment and maintenance of internal controls over the financial reporting process.

Criteria: The Village is required to prepare financial statements in accordance with generally accepted accounting principles (“GAAP”). This is a responsibility of the Village’s management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e. maintaining internal books and records), and (2) reporting financial statements, including the related footnotes (i.e., external financial reporting).

Condition: During the course of our audit, we identified misstatements in certain accounts that were considered to be material. These included adjustments to cash, taxes receivable, and revenues and expenditures that were netted together. All such misstatements have been corrected.

Cause: The Village does not staff individuals with appropriate expertise to perform the necessary record keeping in order to ensure the books at year end accurately reflect the current year’s activity.

Effect of Condition: The Village’s accounting records were initially misstated by amounts material to the financial statements.

Recommendation: The Village should review and implement the necessary education and procedural activities to monitor and report annual financial activity. We recommend the Village consider utilizing the recently hired third party accountant to assist in recording closing entries and any other adjustments needed to reduce or eliminate these audit adjustments.

View of Responsible Officials and Planned Corrective Action: We are aware of this deficiency, agree with the above recommendation, and have hired a third party professional to assist in this capacity and will work to reduce or eliminate such entries.

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SECTION I – CURRENT YEAR FINANCIAL STATEMENTS FINDINGS, CONTINUED

2023-003 – Bank Reconciliations (Material Weakness)

Specific Requirement: Establishment and maintenance of internal controls over the financial reporting process.

Criteria: Management is responsible for the preparation of bank reconciliations as an integral part of the internal control structure. The reconciliations should be accurately and timely prepared and reviewed by appropriate individuals on a monthly basis.

Condition: During the course of our audit, we noted bank reconciliations for the Village's bank accounts had not been prepared accurately on a timely basis.

Cause: The Village did not properly track cash transactions and did not perform timely bank reconciliations.

Effect of Condition: Bank reconciliations were not performed properly until the Village contracted with a third party to take over bookkeeping services. This contractor has begun working to resolve the problem.

Recommendation: We would recommend that Village Management include in the monthly Village Council meeting packet the bank reconciliations and support. This would provide additional oversight over accurate recording of cash transactions. We also recommend the Village continue working with a professional third party accountant on an ongoing basis.

View of Responsible Officials and Planned Corrective Action: The Village agrees with the above recommendation. We have engaged with a third party professional to assist in preparing our bank reconciliations and training several Village staff and Council members on the bank reconciliation process.

SECTION I – CURRENT YEAR FINANCIAL STATEMENTS FINDINGS, CONTINUED

2023-004 – Segregation of Incompatible Accounting Duties (Significant Deficiency)

Specific Requirement: Establish and follow processes and procedures to provide appropriate segregation of certain incompatible duties with appropriate control objectives.

Criteria: The Village should devise an organizational structure that will enable them to appropriately segregate incompatible accounting functions.

Condition: The Village lacks an appropriate segregation of certain incompatible duties with appropriate control objectives.

Cause: Limitations on number of accounting and finance personnel, partially due to turnover.

Effect of Condition: The effect of this condition subjects the Village to increased risk of misstatements within the financial statements and misappropriation of assets.

Recommendation: The Village should devise an organizational structure that will enable them to appropriately segregate incompatible accounting functions.

View of Responsible Officials and Planned Corrective Action: We are aware of this deficiency. However, given the size of our entity and our available resources, it is difficult to provide for appropriate segregation of incompatible duties for all accounting functions. We will evaluate available options to administer limited segregation of duties for key accounting functions and ensure the continued close oversight by the Village Council.

SECTION I – CURRENT YEAR FINANCIAL STATEMENTS FINDINGS, CONCLUDED

2023-005 – Timely Completion and Submission of Audit (Noncompliance)

Specific Requirement: Follow relevant laws and regulations.

Criteria: Under the Revised Municipal Finance Act of Act 334 of 2001, the Village is required to submit an audit report annually to the State of Michigan within 6 months from the end of its fiscal year or as otherwise provided in the Uniform Budgeting and Accounting Act, 1968 PA 2, MCL 141.421 or 141.440a.

Condition: The audit process became behind schedule and was unable to be completed by the deadline.

Cause: The Village has experienced high turnover rates at key positions related to completing the audit in recent years.

Effect of Condition: The audit was submitted outside the 6-month deadline.

Recommendation: Prepare for the audit continuously during the year by keeping organized records and preparing timely monthly bank reconciliations, perhaps with the assistance of a professional third-party accountant. To the extent possible, train multiply individuals to perform the roles needed to complete the audit.

View of Responsible Officials and Planned Corrective Action: We are aware of this deficiency, agree with the above recommendation, and have hired a third party professional to assist in this capacity.