

**Village of Baroda
Berrien County, Michigan**

FINANCIAL STATEMENTS

March 31, 2017

Village of Baroda

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Baroda, Michigan (the Village) as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Baroda, Michigan, as of March 31, 2017, 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.

Change in Accounting Principles

As described in Note N to the financial statements, the Village implemented GASB Statement No. 77, *Tax Abatement Disclosures*, during the year. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

September 5, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2017

The following is a discussion and analysis of Village of Baroda's (the Village's) financial performance and position, providing an overview of the activities for the year ended March 31, 2017. This analysis should be read in conjunction with the *Independent Auditor's Report* and with the Village's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net position was \$3,619,463.
- Governmental activities net position was \$2,115,039.
- Business-type activities net position was \$1,504,424.

Fund Level:

- At the close of the fiscal year, the Village's governmental funds reported a combined ending fund balance of \$473,088.
- The General Fund realized \$29,455 less in revenues than anticipated for the fiscal year. The General Fund operations expended \$23,825 less than appropriated.
- Overall, the fund balance of the General Fund decreased by \$19,937 to \$300,835.

Capital Activities:

- The total net change to the capital asset schedule for the governmental activities was \$(64,119). The total net change to the capital asset schedule for the business-type activities was \$(64,295).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

The Statement of Net Position (page 1) presents all of the Village's assets and liabilities, recording the difference between the two as "net position". Over time, increases or decreases in net position measure whether the Village's financial position is improving or deteriorating.

Village of Baroda

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2017

The Statement of Activities (page 2) presents information showing how the Village's net position changed during the 2017 fiscal year. All changes in net position are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

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

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

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 4 and 6 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

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

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

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

The fund financial statements, which begin on page 3, provide information on the Village's significant (major) funds, and aggregated nonmajor funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Village uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

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

Village of Baroda

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2017

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

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

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 11 of this report.

Required Supplementary Information

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

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

As previously stated, the Village of Baroda's combined net position was \$3,619,463 at the end of this year's operations. The net position of the governmental activities was \$2,115,039; the business-type activities was \$1,504,424.

Summary of Net Position:

The following summarizes the net position as of March 31, 2017 and March 31, 2016:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 479,972	\$ 432,632	\$ 729,661	\$ 569,587	\$ 1,209,633	\$ 1,002,219
Capital assets	1,647,851	1,711,970	860,553	924,848	2,508,404	2,636,818
Total assets	2,127,823	2,144,602	1,590,214	1,494,435	3,718,037	3,639,037
Liabilities						
Current liabilities	12,784	3,581	30,143	13,098	42,927	16,679
Noncurrent liabilities	-	-	55,647	20,000	55,647	20,000
Total liabilities	12,784	3,581	85,790	33,098	98,574	36,679
Net Position						
Invested in capital assets	1,647,851	1,711,970	790,553	894,848	2,438,404	2,606,818
Restricted	156,413	117,233	-	-	156,413	117,233
Unrestricted	310,775	311,818	713,871	566,489	1,024,646	878,307
Total net position	\$ 2,115,039	\$ 2,141,021	\$ 1,504,424	\$ 1,461,337	\$ 3,619,463	\$ 3,602,358

Village of Baroda

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2017

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

Changes in Net Position for the Fiscal Year Ended March 31, 2017 and March 31, 2016:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenue						
Charges for services	\$ 36,109	\$ 29,085	\$ 288,581	\$ 232,054	\$ 324,690	\$ 261,139
Operating grants and contributions	89,062	137,901	-	-	89,062	137,901
General Revenues						
Property taxes	186,787	175,188	-	-	186,787	175,188
State shared revenue	77,808	76,105	-	-	77,808	76,105
Investment earnings	1,215	291	10,393	18,154	11,608	18,445
Gain on sale of capital asset	-	-	-	3,000	-	3,000
Miscellaneous	-	-	24,127	35,628	24,127	35,628
Total Revenues	390,981	418,570	323,101	288,836	714,082	707,406
Expenses						
General government	189,686	144,137	-	-	189,686	144,137
Public safety	10,659	7,886	-	-	10,659	7,886
Public works	195,429	207,037	-	-	195,429	207,037
Community and Economic Development	13,941	10,180	-	-	13,941	10,180
Recreation and Culture	15,450	14,602	-	-	15,450	14,602
Sewer Operations	-	-	108,575	160,817	108,575	160,817
Water Operations	-	-	171,439	164,338	171,439	164,338
Total Expenses	425,165	383,842	280,014	325,155	705,179	708,997
Change in net position	\$ (34,184)	\$ 34,728	\$ 43,087	\$ (36,319)	\$ 8,903	\$ (1,591)

Governmental Activities:

The result of 2017 governmental activity was a decrease of \$34,184 in net position to \$2,115,039. Of the total governmental activities' net position, \$1,647,851 is invested in capital assets, \$156,413 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute or by another authority outside the Village government. The balance of \$310,775 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories were; operating grants at 23%, property taxes at 48%, and state shared revenue at 20%. The Village levied 9.90 mills for operations for the year ended March 31, 2017.

Expenses:

Public works is the largest governmental activity, expending approximately 46% of the governmental activities total and includes the department of public works, drains, public street maintenance, and street lighting. General government is the second large activity expending approximately 45% of the governmental activities total and includes the Council, President, Clerk, and Treasurer.

Business-type Activities:

Net position in business-type activities increased \$43,087 during the 2017 fiscal year. Of the business-type activities' net position, \$790,553 is invested in capital assets. The balance of \$713,871 is listed as unrestricted, having no legal commitment.

Village of Baroda

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2017

FINANCIAL ANALYSIS OF THE VILLAGE'S MAJOR FUNDS

As the Village completed the 2017 fiscal year, its major governmental funds reported combined fund balances of \$359,195. This was a net increase of \$23,660. The net changes to the major governmental funds are summarized in the following chart:

	General Fund	Major Street
Fund Balance 3/31/2017	\$ 300,835	\$ 58,360
Restated Fund Balance 3/31/2016	320,772	19,105
Net Change	(19,937)	39,255

General Fund:

The General Fund is the primary operating fund of the Village. Unless otherwise required by statute, contractual agreement, or Council policy, all Village revenues and expenditures are recorded in the General Fund. As of March 31, 2017, the General Fund reported a fund balance of \$300,835. This amount is a decrease of \$19,937 from the fund balance of \$320,772 reported as of March 31, 2016.

General Fund Budgetary Highlights:

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

The Village's General Fund revenue budget was increased by \$5,504 (2% more than the original budget) during the fiscal year. Actual General Fund revenues totaled \$323,858; \$29,455 below the final amended budget.

The Village's General Fund expenditure budget was increased by \$48,690 (16% more than the original budget) during the fiscal year. General Fund actual expenditures were \$328,566 and the final budgeted amounts totaled \$352,620, which was a 7% difference.

Major Street Fund:

As of March 31, 2017, the Major Street Fund reported a fund balance of \$58,360, an increase of \$39,255 from the prior year's restated fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of the fiscal year, the Village had invested \$2,508,404 net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was 2,278,718. Depreciation charges for the fiscal year totaled \$125,772. Additional information related to capital assets is detailed in Note E of the Financial Statements.

Village of Baroda

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2017

Net book value of capital assets at March 31, 2017, was as follows:

	Governmental Activities	Business-type Activities	Total
Land	\$ 153,750	\$ 81,110	\$ 234,860
Buildings and improvements	18,444	3,750	22,194
Land improvements	72,240	-	72,240
Infrastructure	1,190,737	-	1,190,737
Furniture and equipment	182,336	40,935	223,271
Vehicles	1,100	27,645	28,745
Utility systems	29,244	707,113	736,357
Totals	\$ 1,647,851	\$ 860,553	\$ 2,508,404

Outstanding Debt as of March 31, 2017:

	April 1, 2016	Additions	Deletions	Mar. 31, 2017
Governmental activities				
Compensated absences	\$ 2,689	\$ 14,068	\$ (10,857)	\$ 5,900
Business-type activities				
1979 Water System Bonds	\$ 30,000	\$ -	\$ (10,000)	\$ 20,000
2017 NRW Revolving Loan	-	50,000	-	50,000
Total business-type activities	\$ 30,000	\$ 50,000	\$ (10,000)	\$ 70,000

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

VILLAGE OF BARODA GOVERNMENT ECONOMIC OUTLOOK

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

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

Other factors that the Village is aware of are:

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

Village of Baroda

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2017

These and many other factors were considered in adopting the budget for the 2018 fiscal year. As always, the Village continues to look for ways to increase efficiencies and reduce the cost of doing business.

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

CONTACTING THE VILLAGE

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

BASIC FINANCIAL STATEMENTS

Village of Baroda

STATEMENT OF NET POSITION

March 31, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Current assets				
Cash	\$ 275,487	\$ 704,211	\$ 979,698	\$ 216
Investments	150,000	-	150,000	-
Receivables	28,699	18,730	47,429	-
Due from other governmental units	12,684	-	12,684	-
Prepays	13,102	6,720	19,822	-
Total current assets	479,972	729,661	1,209,633	216
Noncurrent assets				
Capital assets not being depreciated	153,750	81,110	234,860	-
Capital assets, net of accumulated depreciation	1,494,101	779,443	2,273,544	-
Total noncurrent assets	1,647,851	860,553	2,508,404	-0-
TOTAL ASSETS	2,127,823	1,590,214	3,718,037	216
LIABILITIES				
Current liabilities				
Accounts payable	6,728	12,542	19,270	-
Accrued liabilities	156	1,188	1,344	-
Customer deposits payable	-	2,060	2,060	-
Current portion of compensated absences	5,900	-	5,900	-
Current portion of long-term debt	-	14,353	14,353	-
Total current liabilities	12,784	30,143	42,927	-0-
Noncurrent portion of long-term debt	-	55,647	55,647	-
TOTAL LIABILITIES	12,784	85,790	98,574	-0-
NET POSITION				
Net investment in capital assets	1,647,851	790,553	2,438,404	-
Restricted for:				
Public safety	8,843	-	8,843	-
Streets	104,178	-	104,178	-
Community and economic development	43,392	-	43,392	-
Unrestricted	310,775	713,871	1,024,646	216
TOTAL NET POSITION	<u>\$ 2,115,039</u>	<u>\$ 1,504,424</u>	<u>\$ 3,619,463</u>	<u>\$ 216</u>

See accompanying notes to financial statements.

Village of Baroda

STATEMENT OF ACTIVITIES

Year Ended March 31, 2017

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						Component Unit
	Program Revenues			Primary Government		Downtown Development Authority	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities		
Primary government							
Governmental activities							
General government	\$ 189,686	\$ 35,877	\$ 220	\$ (153,589)	\$ -	\$ (153,589)	\$ -
Public safety	10,659	-	-	(10,659)	-	(10,659)	-
Public works	195,429	-	75,875	(119,554)	-	(119,554)	-
Community and economic development	13,941	188	2,842	(10,911)	-	(10,911)	-
Recreation and culture	15,450	44	10,125	(5,281)	-	(5,281)	-
Total governmental activities	425,165	36,109	89,062	(299,994)	-0-	(299,994)	-0-
Business-type activities							
Sewer system	108,575	126,255	-	-	17,680	17,680	-
Water system	171,439	162,326	-	-	(9,113)	(9,113)	-
Total business-type activities	280,014	288,581	-0-	-0-	8,567	8,567	-0-
Total primary government	\$ 705,179	\$ 324,690	\$ 89,062	(299,994)	8,567	(291,427)	-0-
Component unit							
Downtown Development Authority	\$ -	\$ -	\$ -	-	-	-0-	-0-
General revenues							
Property taxes				186,787	-	186,787	-
State shared revenue				77,808	-	77,808	-
Investment earnings				1,215	10,393	11,608	-
Miscellaneous				-	24,127	24,127	-
Total general revenues				265,810	34,520	300,330	-0-
Change in net position				(34,184)	43,087	8,903	-0-
Restated net position, beginning of the year				2,149,223	1,461,337	3,610,560	216
Net position, end of the year				\$ 2,115,039	\$ 1,504,424	\$ 3,619,463	\$ 216

See accompanying notes to financial statements.

Village of Baroda
Governmental Funds
BALANCE SHEET
March 31, 2017

	General	Major Street	Nonmajor Governmental Funds	Total
ASSETS				
Cash	\$ 140,445	\$ 49,129	\$ 85,913	\$ 275,487
Investments	150,000	-	-	150,000
Receivables				
Taxes	4,016	-	-	4,016
Notes	-	-	24,683	24,683
Due from other governmental units	-	9,231	3,453	12,684
Prepays	13,102	-	-	13,102
TOTAL ASSETS	\$ 307,563	\$ 58,360	\$ 114,049	\$ 479,972
LIABILITIES				
Accounts payable	\$ 6,728	\$ -	\$ -	\$ 6,728
Accrued liabilities	-	-	156	156
TOTAL LIABILITIES	6,728	-0-	156	6,884
FUND BALANCES				
Nonspendable				
Prepays	13,102	-	-	13,102
Long-term receivable	-	-	24,683	24,683
Restricted for:				
Public safety	8,843	-	-	8,843
Streets	-	58,360	45,818	104,178
Community and economic development	-	-	43,392	43,392
Assigned for:				
Subsequent year's expenditures	27,310	-	-	27,310
Unassigned	251,580	-	-	251,580
TOTAL FUND BALANCES	300,835	58,360	113,893	473,088
TOTAL LIABILITIES AND FUND BALANCES	\$ 307,563	\$ 58,360	\$ 114,049	\$ 479,972

Village of Baroda

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

March 31, 2017

Total fund balances - governmental funds \$ 473,088

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

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

The cost of capital assets is	\$ 2,319,197
Accumulated depreciation is	<u>(671,346)</u>

Capital assets, net	1,647,851
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Compensated absences	<u>(5,900)</u>
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Net position of governmental activities	<u><u>\$ 2,115,039</u></u>
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Village of Baroda

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2017

	General	Major Street	Nonmajor Governmental Funds	Total
REVENUES				
Taxes	\$ 188,454	\$ -	\$ -	\$ 188,454
Licenses and permits	17,476	-	-	17,476
Intergovernmental	77,808	55,092	20,783	153,683
Charges for services	13,777	-	-	13,777
Interest and rents	4,156	33	215	4,404
Other	22,187	-	-	22,187
TOTAL REVENUES	323,858	55,125	20,998	399,981
EXPENDITURES				
Current				
General government	181,596	-	-	181,596
Public safety	10,659	-	-	10,659
Public works	111,600	15,870	22,170	149,640
Community and economic development	13,941	-	-	13,941
Recreation and culture	10,999	-	-	10,999
TOTAL EXPENDITURES	328,795	15,870	22,170	366,835
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,937)	39,255	(1,172)	33,146
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	15,000	15,000
Transfers out	(15,000)	-	-	(15,000)
TOTAL OTHER FINANCING SOURCES (USES)	(15,000)	-0-	15,000	-0-
NET CHANGE IN FUND BALANCES	(19,937)	39,255	13,828	33,146
Fund balances, beginning of year	320,772	14,763	96,205	431,740
Prior period adjustments	-	4,342	3,860	8,202
Fund balances, end of year	\$ 300,835	\$ 58,360	\$ 113,893	\$ 473,088

Village of Baroda

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2017

Net change in fund balances - total governmental funds \$ 33,146

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

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

Capital outlay	\$ 6,358
Depreciation expense	<u>(61,477)</u>

Excess of depreciation expense over capital outlay	(55,119)
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The loss on disposal of capital assets is reported in the statement of activities. The loss is not a use of current resources and thus is not reported in the funds.	(9,000)
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in compensated absences	<u>(3,211)</u>
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Change in net position of governmental activities	<u><u>\$ (34,184)</u></u>
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Village of Baroda
Proprietary Funds
STATEMENT OF NET POSITION
March 31, 2017

	Business-type Activities		
	Sewer	Water	Total
ASSETS			
Current assets			
Cash	\$ 470,703	\$ 233,508	\$ 704,211
Accounts receivable	5,762	12,968	18,730
Prepays	2,016	4,704	6,720
Total current assets	478,481	251,180	729,661
Noncurrent assets			
Capital assets not being depreciated	81,110	-	81,110
Capital assets, net of accumulated depreciation	476,096	303,347	779,443
Total noncurrent assets	557,206	303,347	860,553
TOTAL ASSETS	1,035,687	554,527	1,590,214
LIABILITIES			
Current liabilities			
Accounts payable	9,848	2,694	12,542
Accrued liabilities	256	932	1,188
Customer deposits payable	-	2,060	2,060
Current portion of long-term debt	-	14,353	14,353
Total current liabilities	10,104	20,039	30,143
Noncurrent liabilities			
Noncurrent portion of long-term debt	-	55,647	55,647
TOTAL LIABILITIES	10,104	75,686	85,790
NET POSITION			
Net investment in capital assets	557,206	233,347	790,553
Unrestricted	468,377	245,494	713,871
TOTAL NET POSITION	<u>\$ 1,025,583</u>	<u>\$ 478,841</u>	<u>\$ 1,504,424</u>

See accompanying notes to financial statements.

Village of Baroda

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended March 31, 2017

	Business-type Activities		
	Sewer	Water	Total
OPERATING REVENUES			
Charges for services	\$ 126,255	\$ 162,326	\$ 288,581
OPERATING EXPENSES			
Personnel services	25,453	18,623	44,076
Supplies	3,306	2,375	5,681
Contractual services	1,428	11,470	12,898
Administrative services	982	-	982
Repairs and maintenance	30,130	20,293	50,423
Utilities	4,932	95,227	100,159
Depreciation	42,344	21,951	64,295
TOTAL OPERATING EXPENSES	108,575	169,939	278,514
OPERATING INCOME (LOSS)	17,680	(7,613)	10,067
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	2,420	7,973	10,393
Other revenue	24,127	-	24,127
Interest expense	-	(1,500)	(1,500)
TOTAL NONOPERATING REVENUES (EXPENSES)	26,547	6,473	33,020
CHANGE IN NET POSITION	44,227	(1,140)	43,087
Net position, beginning of year	981,356	479,981	1,461,337
Net position, end of year	\$ 1,025,583	\$ 478,841	\$ 1,504,424

See accompanying notes to financial statements.

Village of Baroda

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended March 31, 2017

	Business-type Activities		
	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 127,066	\$ 163,264	\$ 290,330
Cash paid to employees	(25,453)	(18,473)	(43,926)
Cash paid to suppliers	(32,308)	(127,590)	(159,898)
NET CASH PROVIDED BY OPERATING ACTIVITIES	69,305	17,201	86,506
CASH FLOWS FROM NONCAPITAL ACTIVITIES			
Miscellaneous receipts	24,127	-	24,127
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Loan proceeds received	-	50,000	50,000
Principal paid on debt	-	(10,000)	(10,000)
Interest paid on debt	-	(1,500)	(1,500)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-0-	38,500	38,500
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	2,420	7,973	10,393
NET INCREASE IN CASH DURING YEAR	95,852	63,674	159,526
Cash, beginning of year	374,851	169,834	544,685
Cash, end of year	\$ 470,703	\$ 233,508	\$ 704,211

See accompanying notes to financial statements.

Village of Baroda

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended March 31, 2017

	Business-type Activities		
	Sewer	Water	Total
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ 17,680	\$ (7,613)	\$ 10,067
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	42,344	21,951	64,295
(Increase) Decrease in:			
Accounts receivable	811	938	1,749
Prepaid expenses	(1,378)	(919)	(2,297)
Increase in:			
Accounts payable	9,848	2,694	12,542
Accrued liabilities	-	150	150
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 69,305</u>	<u>\$ 17,201</u>	<u>\$ 86,506</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Baroda (the Village) is located in Berrien County, Michigan and has a population of approximately 875. The Village operates with a Village President/Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, and utility services. The Village Council is made up of the President, President Pro-Tem, and five (5) trustees who are selected at large for overlapping four year terms.

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

1. Reporting Entity

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

2. Discretely Presented Component Unit

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

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The Village reports the following major governmental funds:

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

The Village reports the following major enterprise funds:

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

4. Measurement Focus

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

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

5. Basis of Accounting

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

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

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Basis of Accounting - continued

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

6. Budgets and Budgetary Accounting

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

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

7. Cash and Investments

Cash consists of various money market, checking and savings accounts, and cash on hand. Investments during the year consisted of certificates of deposit with original maturities of greater than 90 days.

8. Receivables

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Prepays

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

10. Capital Assets

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

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

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

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

11. Long-term Obligations

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

12. Compensated Absences

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

13. Property Tax

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

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Property Tax - continued

The Village is permitted by charter to levy taxes up to 12.5 mills (\$12.50 per \$1,000 of assessed valuation) for general governmental services. For the year ended March 31, 2017, the Village levied 9.9 mills per \$1,000 of taxable valuation. The taxable value for the 2016 levy for the property within the Village was \$16,419,408.

14. Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

In general, outstanding balances between funds are reported as "due 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". No allowance for uncollectable accounts has been recorded as the Village considers all receivables to be fully collectable.

15. Restricted Net Position

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

16. Comparative Data

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

17. Tax Abatements

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

NOTE B: DEPOSITS

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

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

Village of Baroda

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

NOTE B: DEPOSITS - CONTINUED

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of March 31, 2017, the carrying amounts of the Village's deposits were \$1,129,814 and the bank balance was \$1,129,799, of which \$760,506 was covered by federal depository insurance. The balance of \$369,293 was uninsured and uncollateralized. The cash caption on the primary government's financial statements includes \$100 of petty cash.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2017, the Village did not have any investments subject to rating.

Interest Rate Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

The cash and investments referred to above have been reported in either the cash or investments captions on the financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of March 31, 2017:

	Primary Government	Component Unit	Reporting Entity
Cash	\$ 979,698	\$ 216	\$ 979,914
Investments	150,000	-	150,000
	<u>\$ 1,129,698</u>	<u>\$ 216</u>	<u>\$ 1,129,914</u>

Village of Baroda

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

NOTE C: NOTES RECEIVABLE

The Village of Baroda loaned a business \$25,000 during the fiscal year ended March 31, 2017. Payments are due in monthly installments with interest of 1.00 percent, payable monthly. The loan was collateralized with business owner's personal home. The annual payments due to the Village are as follows:

Year Ending March 31,	Principal	Interest	Total
2018	\$ 5,683	\$ 56	\$ 5,739
2019	6,000	56	6,056
2020	6,000	56	6,056
2021	6,000	56	6,056
2022	1,000	10	1,010
	<u>\$ 24,683</u>	<u>\$ 234</u>	<u>\$ 24,917</u>

NOTE D: INTERFUND TRANSFERS

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfer to nonmajor governmental fund from:	
General Fund	<u>\$ 15,000</u>

The transfer noted above was for the purpose of funding operational costs and current projects in the Local Street Fund.

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2017, was as follows:

	Balance April 1, 2016	Additions	Deletions	Balance Mar. 31, 2017
Governmental activities				
Capital assets not being depreciated				
Land	\$ 162,750	\$ -	\$ (9,000)	\$ 153,750
Capital assets being depreciated				
Buildings and improvements	60,690	-	-	60,690
Land improvements	146,128	-	-	146,128
Infrastructure	1,491,308	-	-	1,491,308
Furniture and equipment	435,379	6,358	(17,300)	424,437
Vehicles	4,000	-	-	4,000
Utility systems	38,884	-	-	38,884
Subtotal	2,176,389	6,358	(17,300)	2,165,447

Village of Baroda

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

NOTE E: CAPITAL ASSETS - CONTINUED

	Balance April 1, 2016	Additions	Deletions	Balance Mar. 31, 2017
Governmental activities - continued				
Less accumulated depreciation for:				
Buildings and improvements	\$ (41,083)	\$ (1,163)	\$ -	\$ (42,246)
Land improvements	(68,686)	(5,202)	-	(73,888)
Infrastructure	(284,228)	(16,343)	-	(300,571)
Furniture and equipment	(222,004)	(37,397)	17,300	(242,101)
Vehicles	(2,500)	(400)	-	(2,900)
Utility systems	(8,668)	(972)	-	(9,640)
Subtotal	(627,169)	(61,477)	17,300	(671,346)
Net capital assets being depreciated	1,549,220	(55,119)	-0-	1,494,101
Capital assets, net	<u>\$ 1,711,970</u>	<u>\$ (55,119)</u>	<u>\$ (9,000)</u>	<u>\$ 1,647,851</u>

Depreciation expense was allocated to the following governmental activities:

General government	\$ 6,519
Public works	50,507
Recreation and culture	<u>4,451</u>
Total depreciation expense	<u>\$ 61,477</u>

	Balance April 1, 2016	Additions	Deletions	Balance Mar. 31, 2017
Business-type activities				
Capital assets not being depreciated				
Land	\$ 81,110	\$ -	\$ -	\$ 81,110
Capital assets being depreciated				
Buildings and improvements	4,500	-	-	4,500
Furniture and equipment	111,718	-	-	111,718
Utility systems	2,239,003	-	-	2,239,003
Vehicles	31,594	-	-	31,594
Subtotal	2,386,815	-0-	-0-	2,386,815
Less accumulated depreciation for:				
Buildings and improvements	(300)	(450)	-	(750)
Furniture and equipment	(65,350)	(5,433)	-	(70,783)
Utility systems	(1,476,637)	(55,253)	-	(1,531,890)
Vehicles	(790)	(3,159)	-	(3,949)
Subtotal	(1,543,077)	(64,295)	-0-	(1,607,372)
Net capital assets being depreciated	843,738	(64,295)	-0-	779,443
Capital assets, net	<u>\$ 924,848</u>	<u>\$ (64,295)</u>	<u>\$ -0-</u>	<u>\$ 860,553</u>

Village of Baroda

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

NOTE E: CAPITAL ASSETS - CONTINUED

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

Sewer system	\$ 42,344
Water system	21,951
	<hr/>
Total depreciation expense	\$ 64,295
	<hr/>

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Village for the year ended March 31, 2017:

	Balance April 1, 2016	Additions	Deletions	Balance Mar. 31, 2017	Amounts Due Within One Year
Governmental activities					
Compensated absences	\$ 2,689	\$ 14,068	\$ (10,857)	\$ 5,900	\$ 5,900
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Business-type activities					
1979 Water System Bond	\$ 30,000	\$ -	\$ (10,000)	\$ 20,000	\$ 10,000
2017 NRW Revolving Loan	-	50,000	-	50,000	4,353
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total business-type activities	\$ 30,000	\$ 50,000	\$ (10,000)	\$ 70,000	\$ 14,353
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

Governmental Activities

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick and vacation pay. The dollar amount of these vested rights have been recorded in the financial statements of the governmental activities. As of March 31, 2017, the total was \$5,900. The General Fund is typically used to liquidate compensated absences liabilities.

Business-type Activities

Revenue Bonds

The County of Berrien issued revenue bonds in the amount of \$300,000 on October 2, 1979, for the purpose of assisting the Village in acquiring and constructing improvements to the Village's water supply system. The bonds are due in annual installments of \$10,000 through January 1, 2019, plus interest at 5.00%, payable semi-annually.

\$ 20,000

Revolving Fund Loan

The Village borrowed funds from the National Rural Water Association Revolving Loan Fund in the amount of \$50,000 on January 27, 2017, due in monthly installments ranging from \$358 to \$482 through March 1, 2027, plus interest of 3.00% paid monthly.

\$ 50,000

Village of Baroda

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

NOTE F: LONG-TERM DEBT - CONTINUED

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

Year Ending March 31,	1979 Water Bond		2017 NRWA Revolving Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 10,000	\$ 1,000	\$ 4,353	\$ 1,440	\$ 14,353	\$ 2,440
2019	10,000	500	4,486	1,308	14,486	1,808
2020	-	-	4,622	1,172	4,622	1,172
2021	-	-	4,763	1,031	4,763	1,031
2022	-	-	4,907	886	4,907	886
2023-2027	-	-	26,869	2,099	26,869	2,099
	<u>\$ 20,000</u>	<u>\$ 1,500</u>	<u>\$ 50,000</u>	<u>\$ 7,936</u>	<u>\$ 70,000</u>	<u>\$ 9,436</u>

NOTE G: RETIREMENT PLAN

The Village provides pension benefits for all full-time employees through the Village of Baroda Retirement Plan, a defined contribution plan, which is administered by the Village. Full-time employees are eligible to make an elective deferral, up to 100% of their compensation, into the plan after one month of service. Employees can defer up to \$18,000 during the plan year and, if over the age of 50, can defer up an additional amount of \$6,000. They may also rollover a portion into a rollover account. All full-time employees are eligible to receive profit sharing contributions from Village after completing one year of service. The Village has established a profit sharing rate of up to 6% for each full time employee. During the fiscal year, the Village made contributions to the Plan in the amount of \$7,226 and the Plan's covered payroll was \$120,882. Distributions from the plan can be made after termination of employment, at the age of 59 and a half, from the rollover contribution account, or upon death. Any changes to the plan are the responsibility of the Village President and Plan Trustee, Robert Getz.

NOTE H: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) fund balance classifications under this standard.

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

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

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

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

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

Village of Baroda

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

NOTE H: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

Fund Balance Classification Policies and Procedures

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

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

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

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

NOTE I: CONSTRUCTION CODE FEES

The Village oversees building construction, in accordance with the State's construction code act, including inspection of building construction and renovation to ensure compliance with the building codes. The Village charges fees for these services. Beginning January 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of construction code act transactions for the year ended March 31, 2017, is as follows:

Balance at April 1, 2016	\$ 6,265
REVENUES	
Building and mechanical permits	12,693
EXPENDITURES	
Inspections	(10,115)
Balance at March 31, 2017	<u>\$ 8,843</u>

NOTE J: RISK MANAGEMENT

The Village participates in the Michigan Township Participating Plan (the Plan) with other municipalities for auto, employee benefits, property, public officials, electronic data processing (EDP), crime, inland marine, boiler and machinery, and liability losses. The Plan is organized under Public Act 138 of 1982, as amended. Settled claims relating to this insurance have not exceeded the amount of insurance coverage in any of the past three (3) fiscal years.

The Village also carries commercial insurance for workers' compensation losses. Settled claims relating to this insurance have not exceeded the amount of insurance coverage in any of the past three (3) fiscal years.

Village of Baroda

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

NOTE K: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the year, which were the result of corrections of accounting errors. These adjustments were reported as changes to beginning fund balances. The effect on operations and other affected balances for the current and prior periods are as follows:

	March 31		Description
	2017	2016	
Major Street Fund			
Due from other governmental units	\$ -	\$ 4,342	To correct understated amounts
Net change in fund balance	-	4,342	due from other governmental
Fund balance - beginning	4,342	-	units.
Local Street Fund			
Due from other governmental units	-	3,860	To correct understated amounts
Net change in fund balance	-	3,860	due from other governmental
Fund balance - beginning	3,860	-	units.

NOTE L: RESTATEMENT OF BEGINNING NET POSITION

Beginning net position has been restated for the understatement of due from other governmental units in governmental activities.

	Governmental Activities
Beginning net position	\$ 2,141,021
Due from other governmental units	8,202
Restated beginning net position	<u>\$ 2,149,223</u>

NOTE M: CONTRACTUAL COMMITMENTS

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

NOTE N: CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 77, *Tax Abatement Disclosures*, was also implemented during the year. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. Management has determined that the tax abatements granted are immaterial to the financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

NOTE O: UPCOMING ACCOUNTING PRONOUNCEMENT

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*. The statement amends the blending requirements for the financial statement presentation of component units of all state and local governments and requires the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The Village is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017-2018 fiscal year.

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Village of Baroda

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 178,800	\$ 188,530	\$ 188,454	\$ (76)
Licenses and permits	11,100	16,550	17,476	926
Intergovernmental	110,509	114,000	77,808	(36,192)
Charges for services	41,700	17,713	13,777	(3,936)
Interest and rents	5,000	4,300	4,156	(144)
Other	700	12,220	22,187	9,967
TOTAL REVENUES	347,809	353,313	323,858	(29,455)
EXPENDITURES				
Current				
General government				
Council	10,050	10,050	8,879	1,171
President	8,945	7,995	7,761	234
Clerk	49,220	50,075	46,083	3,992
Treasurer	17,880	17,260	15,264	1,996
Building and grounds	21,870	25,945	26,409	(464)
Attorney	2,000	16,000	15,875	125
Audit	7,500	7,500	12,240	(4,740)
Other	20,350	45,290	49,085	(3,795)
Total general government	137,815	180,115	181,596	(1,481)
Public safety				
Police and fire	15,600	15,600	41	15,559
Ordinance enforcement	2,450	2,000	503	1,497
Inspections	6,500	8,900	10,115	(1,215)
Total public safety	24,550	26,500	10,659	15,841
Public works				
Department of public works	91,480	106,190	101,285	4,905
Drains	-	50	38	12
Highways and streets	6,870	1,650	1,586	64
Street lighting	9,000	8,000	8,691	(691)
Total public works	107,350	115,890	111,600	4,290
Community and economic development				
Planning and zoning	4,850	1,750	621	1,129
Downtown Development Authority	6,000	7,500	7,445	55
Economic development	5,000	5,000	3,300	1,700
Community outreach	1,000	2,600	2,575	25
Total community and economic development	16,850	16,850	13,941	2,909
Recreation and culture				
Parks and recreation	17,365	13,265	10,999	2,266
TOTAL EXPENDITURES	303,930	352,620	328,795	23,825
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	43,879	693	(4,937)	(5,630)
OTHER FINANCING (USES)				
Transfers out	(55,000)	(15,000)	(15,000)	-0-
NET CHANGE IN FUND BALANCE	(11,121)	(14,307)	(19,937)	(5,630)
Fund balance, beginning of year	320,772	320,772	320,772	-0-
Fund balance, end of year	\$ 309,651	\$ 306,465	\$ 300,835	\$ (5,630)

Village of Baroda

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 47,500	\$ 56,000	\$ 55,092	\$ (908)
Interest	50	50	33	(17)
TOTAL REVENUES	47,550	56,050	55,125	(925)
EXPENDITURES				
Current				
Public works				
Preservation	24,045	11,045	7,835	3,210
Construction	2,000	-	-	-0-
Traffic services	750	-	-	-0-
Winter maintenance	15,585	10,985	7,206	3,779
Administration	3,500	1,600	829	771
TOTAL EXPENDITURES	45,880	23,630	15,870	7,760
EXCESS OF REVENUES OVER EXPENDITURES	1,670	32,420	39,255	6,835
OTHER FINANCING SOURCES				
Transfers in	25,000	-	-	-0-
NET CHANGE IN FUND BALANCE	26,670	32,420	39,255	6,835
Fund balance, beginning of year	14,763	14,763	14,763	-0-
Prior period adjustment	-	-	4,342	4,342
Fund balance, end of year	\$ 41,433	\$ 47,183	\$ 58,360	\$ 11,177

Village of Baroda

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended March 31, 2017

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended March 31, 2017, the Village incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government	\$ 180,115	\$ 181,596	\$ 1,481

OTHER SUPPLEMENTARY INFORMATION

Village of Baroda
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
March 31, 2017

	Special Revenue Funds		
	Local Street	Revolving Loan	Total
ASSETS			
Cash	\$ 42,521	\$ 43,392	\$ 85,913
Notes receivable	-	24,683	24,683
Due from other governmental units	3,453	-	3,453
TOTAL ASSETS	<u>\$ 45,974</u>	<u>\$ 68,075</u>	<u>\$ 114,049</u>
LIABILITIES			
Accrued liabilities	\$ 156	\$ -	\$ 156
FUND BALANCES			
Nonspendable	-	24,683	24,683
Restricted for:			
Streets	45,818	-	45,818
Community and economic development	-	43,392	43,392
TOTAL FUND BALANCES	<u>45,818</u>	<u>68,075</u>	<u>113,893</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 45,974</u>	<u>\$ 68,075</u>	<u>\$ 114,049</u>

Village of Baroda

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2017

	Special Revenue Funds		
	Local Street	Revolving Loan	Total
REVENUES			
Intergovernmental	\$ 20,783	\$ -	\$ 20,783
Interest	27	188	215
TOTAL REVENUES	20,810	188	20,998
EXPENDITURES			
Current			
Public works	22,170	-	22,170
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,360)	188	(1,172)
OTHER FINANCING SOURCES			
Transfers in	15,000	-	15,000
NET CHANGE IN FUND BALANCES	13,640	188	13,828
Fund balances, beginning of year	28,318	67,887	96,205
Prior period adjustments	3,860	-	3,860
Fund balances, end of year	<u>\$ 45,818</u>	<u>\$ 68,075</u>	<u>\$ 113,893</u>

Village of Baroda

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

March 31, 2017

ASSETS

Cash

\$ 216

FUND BALANCE

Unassigned

\$ 216

Note: Reconciliation of the governmental fund balance sheet to the statement of net position for this component unit is not required as the fund balance was equal to the net position as of March 31, 2017.

Village of Baroda

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended March 31, 2017

REVENUES	
Other revenue	<u>\$ -</u>
NET CHANGE IN FUND BALANCE	-0-
Fund balance, beginning of year	<u>216</u>
Fund balance, end of year	<u><u>\$ 216</u></u>

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities is not required as the net change in fund balance was equal to the change in net position for the year ended March 31, 2017.

