

**Village of Baroda  
Berrien County, Michigan**

**FINANCIAL STATEMENTS**

**March 31, 2016**

Village of Baroda

TABLE OF CONTENTS

March 31, 2016

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-ix
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balances	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Proprietary Funds	
Statement of Net Position	7
Statement of Revenues, Expenses, and Changes in Net Position	8
Statement of Cash Flows	9-10
Notes to Financial Statements	11-22
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	23
Budgetary Comparison Schedule - Major Street Fund	24
Note to Required Supplementary Information	25
OTHER SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet	26
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	27
Component Unit Fund	
Downtown Development Authority	
Balance Sheet	28
Statement of Revenues, Expenditures, and Changes in Fund Balance	29

Principals

Dale J. Abraham, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA



2851 Charlevoix Drive SE  
Suite 330  
Grand Rapids, MI 49546  
(616) 825-6836  
FAX: (616) 825-6837

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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 6, 2016

Village of Baroda

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2016

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, 2016. 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 \$3,602,358.
- Governmental activities net position was \$2,141,021.
- Business-type activities net position was \$1,461,337.

**Fund Level:**

- At the close of the fiscal year, the Village's governmental funds reported a combined ending fund balance of \$431,740.
- The General Fund realized \$30,306 less in revenues than anticipated for the fiscal year. The General Fund operations expended \$38,026 less than appropriated.
- Overall, the fund balance of the General Fund increased by \$7,240 to \$320,772.

**Capital Activities:**

- The total net change to the capital asset schedule for the governmental activities was \$(61,250). The total net change to the capital asset schedule for the business-type activities was \$(26,780).

**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, 2016

The Statement of Activities (page 2) presents information showing how the Village's net position changed during the 2016 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, 2016

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 are 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 were \$3,602,358 at the end of this year's operations. The net position of the governmental activities were \$2,141,021; the business-type activities were \$1,461,337.

**Summary of Net Position:**

The following summarizes the net position as of March 31, 2016 and March 31, 2015:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Current and other assets	\$ 432,632	\$ 341,229	\$ 569,587	\$ 667,117	\$ 1,002,219	\$ 1,008,346
Capital assets	1,711,970	1,798,497	924,848	875,136	2,636,818	2,673,633
Total assets	2,144,602	2,139,726	1,494,435	1,542,253	3,639,037	3,681,979
<b>Liabilities</b>						
Current liabilities	3,581	8,156	13,098	90,789	16,679	98,945
Noncurrent liabilities	-	-	20,000	30,000	20,000	30,000
Total liabilities	3,581	8,156	33,098	120,789	36,679	128,945
<b>Net Position</b>						
Invested in capital assets	1,711,970	1,798,497	894,848	835,136	2,606,818	2,633,633
Restricted	117,233	-	-	10,500	117,233	10,500
Unrestricted	311,818	333,073	566,489	575,828	878,307	908,901
Total net position	\$ 2,141,021	\$ 2,131,570	\$ 1,461,337	\$ 1,421,464	\$ 3,602,358	\$ 3,553,034

Village of Baroda

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2016

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, 2016 and March 31, 2015:**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Program Revenue						
Charges for services	\$ 29,085	\$ 14,693	\$ 232,054	\$ 236,811	\$ 261,139	\$ 251,504
Operating grants and contributions	137,901	82,938	-	-	137,901	82,938
General Revenues						
Property taxes	175,188	169,734	-	-	175,188	169,734
State shared revenue	76,105	97,556	-	-	76,105	97,556
Investment earnings	291	44,054	18,154	1,485	18,445	45,539
Gain on sale of capital asset	-	-	3,000	-	3,000	-0-
Miscellaneous	-	42	35,628	-	35,628	42
<b>Total Revenues</b>	<b>418,570</b>	<b>409,017</b>	<b>288,836</b>	<b>238,296</b>	<b>707,406</b>	<b>647,313</b>
<b>Expenses</b>						
General government	144,137	163,222	-	-	144,137	163,222
Public safety	7,886	20,748	-	-	7,886	20,748
Public works	207,037	200,141	-	-	207,037	200,141
Community and Economic Development	10,180	15,680	-	-	10,180	15,680
Recreation and Culture	14,602	13,246	-	-	14,602	13,246
Sewer Operations	-	-	160,817	163,399	160,817	163,399
Water Operations	-	-	164,338	119,471	164,338	119,471
<b>Total Expenses</b>	<b>383,842</b>	<b>413,037</b>	<b>325,155</b>	<b>282,870</b>	<b>708,997</b>	<b>695,907</b>
<b>Change in net position</b>	<b>\$ 34,728</b>	<b>\$ (4,020)</b>	<b>\$ (36,319)</b>	<b>\$ (44,574)</b>	<b>\$ (1,591)</b>	<b>\$ (48,594)</b>

**Governmental Activities:**

The result of 2016 governmental activity was an increase of \$34,728 in net position to \$2,141,021. Of the total governmental activities' net position, \$1,711,970 is invested in capital assets, \$117,233 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 \$311,818 is listed as unrestricted, having no legal commitment.

**Revenues:**

The three largest revenue categories were; operating grants at 32%, property taxes at 42%, and state shared revenue at 18%. The Village levied 12.50 mills for operations for the year ended March 31, 2016.

**Expenses:**

Public works is the largest governmental activity, expending approximately 54% 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 37% of the governmental activities total and includes the Council, President, Clerk, and Treasurer.

**Business-type Activities:**

Net position in business-type activities decreased \$36,319 during the 2016 fiscal year. Of the business-type activities' net position, \$894,848 is invested in capital assets. The balance of \$566,489 is listed as unrestricted, having no legal commitment.



Village of Baroda

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2016

**FINANCIAL ANALYSIS OF THE VILLAGE'S MAJOR FUNDS**

As the Village completed the 2016 fiscal year, its major governmental funds reported combined fund balances of \$335,535. This was a net increase of \$99,625. The net changes to the major governmental funds are summarized in the following chart:

	General Fund	Major Street
Fund Balance 3/31/2016	\$ 320,772	\$ 14,763
Fund Balance 3/31/2015	313,532	(77,622)
Net Change	7,240	92,385

**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, 2016, the General Fund reported a fund balance of \$320,772. This amount is an increase of \$7,240 from the fund balance of \$313,532 reported as of March 31, 2015.

**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 \$45,020 (14% more than the original budget) during the fiscal year. Actual General Fund revenues totaled \$333,364; \$30,306 below the final amended budget.

The Village's General Fund expenditure budget was decreased by \$15,805 (5% less than the original budget) during the fiscal year. General Fund actual expenditures were \$246,124 and the final budgeted amounts totaled \$284,150, which was a 15% difference.

**Major Street Fund:**

As of March 31, 2016, the Major Street Fund reported a fund balance of \$14,763, an increase of \$92,385 from the prior year's fund balance. The Major Street Fund's most significant transaction for the fiscal year was an \$80,000 transfer from the General Fund to bring the Major Street Fund out of a deficit position.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets - At the end of the fiscal year, the Village had invested \$2,636,818 net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$2,170,246. Depreciation charges for the fiscal year totaled \$128,886. Additional information related to capital assets is detailed in Note D of the Financial Statements.

Village of Baroda

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2016

Net book value of capital assets at March 31, 2016, was as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Land	\$ 162,750	\$ 81,110	\$ 243,860
Buildings and improvements	19,607	4,200	23,807
Land improvements	77,442	-	77,442
Infrastructure	1,207,080	-	1,207,080
Furniture and equipment	213,375	46,368	259,743
Vehicles	1,500	30,804	32,304
Utility systems	30,216	762,366	792,582
<b>Totals</b>	<b>\$ 1,711,970</b>	<b>\$ 924,848</b>	<b>\$ 2,636,818</b>

Outstanding Debt as of March 31, 2016:

	<b>April 1, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Mar. 31, 2016</b>
Governmental activities				
Compensated absences	\$ -	\$ 5,021	\$ (2,332)	\$ 2,689
Business-type activities				
1979 Water System Bonds	\$ 40,000	\$ -	\$ (10,000)	\$ 30,000

A more detailed discussion of the Village's long-term debt obligations is presented in Note E 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.

These and many other factors were considered in adopting the budget for the 2017 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.

Village of Baroda

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2016

**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, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
<b>ASSETS</b>				
Current assets				
Cash	\$ 268,922	\$ 544,685	\$ 813,607	\$ 216
Investments	150,000	-	150,000	-
Receivables	4,016	20,479	24,495	-
Prepays	9,694	4,423	14,117	-
Total current assets	432,632	569,587	1,002,219	216
Noncurrent assets				
Capital assets not being depreciated	162,750	81,110	243,860	-
Capital assets, net of accumulated depreciation	1,549,220	843,738	2,392,958	-
Total noncurrent assets	1,711,970	924,848	2,636,818	-0-
TOTAL ASSETS	2,144,602	1,494,435	3,639,037	216
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	86	-	86	-
Accrued liabilities	156	1,188	1,344	-
Customer deposits payable	-	1,910	1,910	-
Due to other governmental units	650	-	650	-
Current portion of compensated absences	2,689	-	2,689	-
Current portion of long-term debt	-	10,000	10,000	-
Total current liabilities	3,581	13,098	16,679	-0-
Noncurrent				
Noncurrent portion of long-term debt	-	20,000	20,000	-
TOTAL LIABILITIES	3,581	33,098	36,679	-0-
<b>NET POSITION</b>				
Net investment in capital assets	1,711,970	894,848	2,606,818	-
Restricted for:				
Public safety	6,265	-	6,265	-
Streets	43,081	-	43,081	-
Community and economic development	67,887	-	67,887	-
Unrestricted	311,818	566,489	878,307	216
TOTAL NET POSITION	\$ 2,141,021	\$ 1,461,337	\$ 3,602,358	\$ 216

See accompanying notes to financial statements.

Village of Baroda  
STATEMENT OF ACTIVITIES  
Year Ended March 31, 2016

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position					
		Program Revenues		Primary Government			Component Unit
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Primary government							
Governmental activities							
General government	\$ 144,137	\$ 28,955	\$ 49,369	\$ (65,813)	\$ -	\$ (65,813)	\$ -
Public safety	7,886	-	-	(7,886)	-	(7,886)	-
Public works	207,037	-	85,217	(121,820)	-	(121,820)	-
Community and economic development	10,180	-	-	(10,180)	-	(10,180)	-
Recreation and culture	14,602	130	3,315	(11,157)	-	(11,157)	-
Total governmental activities	383,842	29,085	137,901	(216,856)	-0-	(216,856)	-0-
Business-type activities							
Sewer system	160,817	74,522	-	-	(86,295)	(86,295)	-
Water system	164,338	157,532	-	-	(6,806)	(6,806)	-
Total business-type activities	325,155	232,054	-0-	-0-	(93,101)	(93,101)	-0-
Total primary government	<u>\$ 708,997</u>	<u>\$ 261,139</u>	<u>\$ 137,901</u>	(216,856)	(93,101)	(309,957)	-0-
Component unit							
Downtown Development Authority	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-	-	-0-	-0-
General revenues							
Property taxes				175,188	-	175,188	-
State shared revenue				76,105	-	76,105	-
Investment earnings				291	18,154	18,445	-
Gain on sale of capital assets				-	3,000	3,000	-
Miscellaneous				-	35,628	35,628	216
Total general revenues				251,584	56,782	308,366	216
Change in net position				34,728	(36,319)	(1,591)	216
Restated net position, beginning of the year				2,106,293	1,497,656	3,603,949	-
Net position, end of the year				<u>\$ 2,141,021</u>	<u>\$ 1,461,337</u>	<u>\$ 3,602,358</u>	<u>\$ 216</u>

See accompanying notes to financial statements.

Village of Baroda

Governmental Funds

BALANCE SHEET

March 31, 2016

	General	Major Street	Nonmajor Governmental Funds	Total
<b>ASSETS</b>				
Cash	\$ 157,798	\$ 14,763	\$ 96,361	\$ 268,922
Investments	150,000	-	-	150,000
Taxes receivable	4,016	-	-	4,016
Prepays	9,694	-	-	9,694
<b>TOTAL ASSETS</b>	<b>\$ 321,508</b>	<b>\$ 14,763</b>	<b>\$ 96,361</b>	<b>\$ 432,632</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 86	\$ -	\$ -	\$ 86
Due to other governmental units	650	-	-	650
Accrued liabilities	-	-	156	156
<b>TOTAL LIABILITIES</b>	<b>736</b>	<b>-0-</b>	<b>156</b>	<b>892</b>
<b>FUND BALANCES</b>				
Nonspendable				
Prepays	9,694	-	-	9,694
Restricted for:				
Public safety	6,265	-	-	6,265
Streets	-	14,763	28,318	43,081
Community and economic development	-	-	67,887	67,887
Assigned for:				
Subsequent year's expenditures	23,205	-	-	23,205
Unassigned	281,608	-	-	281,608
<b>TOTAL FUND BALANCES</b>	<b>320,772</b>	<b>14,763</b>	<b>96,205</b>	<b>431,740</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 321,508</b>	<b>\$ 14,763</b>	<b>\$ 96,361</b>	<b>\$ 432,632</b>

Village of Baroda

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

March 31, 2016

**Total fund balances - governmental funds** \$ 431,740

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	\$ 2,339,139
Accumulated depreciation is	<u>(627,169)</u>

Capital assets, net	1,711,970
---------------------	-----------

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>(2,689)</u>
----------------------	----------------

**Net position of governmental activities** \$ 2,141,021



Village of Baroda

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2016

	General	Major Street	Nonmajor Governmental Funds	Total
<b>REVENUES</b>				
Taxes	\$ 176,936	\$ -	\$ -	\$ 176,936
Licenses and permits	14,843	-	-	14,843
Intergovernmental	124,454	59,472	25,745	209,671
Charges for services	2,240	-	-	2,240
Interest and rents	4,401	(21)	11	4,391
Other	10,490	-	-	10,490
<b>TOTAL REVENUES</b>	<b>333,364</b>	<b>59,451</b>	<b>25,756</b>	<b>418,571</b>
<b>EXPENDITURES</b>				
Current				
General government	134,717	-	-	134,717
Public safety	7,886	-	-	7,886
Public works	82,986	47,066	26,714	156,766
Community and economic development	10,180	-	-	10,180
Recreation and culture	10,355	-	-	10,355
<b>TOTAL EXPENDITURES</b>	<b>246,124</b>	<b>47,066</b>	<b>26,714</b>	<b>319,904</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>87,240</b>	<b>12,385</b>	<b>(958)</b>	<b>98,667</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	80,000	-	80,000
Transfers out	(80,000)	-	-	(80,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(80,000)</b>	<b>80,000</b>	<b>-0-</b>	<b>-0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>7,240</b>	<b>92,385</b>	<b>(958)</b>	<b>98,667</b>
Fund balances, beginning of year	313,532	(77,622)	97,163	333,073
Fund balances, end of year	\$ 320,772	\$ 14,763	\$ 96,205	\$ 431,740

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, 2016

**Net change in fund balances - total governmental funds** \$ 98,667

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	\$ 5,062
Depreciation expense	<u>(66,312)</u>

Excess of depreciation expense over capital outlay (61,250)

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>(2,689)</u>
------------------------------------	----------------

**Change in net position of governmental activities** \$ 34,728

Village of Baroda

Proprietary Funds

STATEMENT OF NET POSITION

March 31, 2016

	Business-type Activities		
	Sewer	Water	Total
<b>ASSETS</b>			
Current assets			
Cash	\$ 374,851	\$ 169,834	\$ 544,685
Accounts receivable	6,573	13,906	20,479
Prepays	638	3,785	4,423
Total current assets	382,062	187,525	569,587
Noncurrent assets			
Capital assets not being depreciated	81,110	-	81,110
Capital assets, net of accumulated depreciation	518,440	325,298	843,738
Total noncurrent assets	599,550	325,298	924,848
<b>TOTAL ASSETS</b>	<b>981,612</b>	<b>512,823</b>	<b>1,494,435</b>
<b>LIABILITIES</b>			
Current liabilities			
Accrued liabilities	256	932	1,188
Customer deposits payable	-	1,910	1,910
Current portion of long-term debt	-	10,000	10,000
Total current liabilities	256	12,842	13,098
Noncurrent liabilities			
Noncurrent portion of long-term debt	-	20,000	20,000
<b>TOTAL LIABILITIES</b>	<b>256</b>	<b>32,842</b>	<b>33,098</b>
<b>NET POSITION</b>			
Net investment in capital assets	599,550	295,298	894,848
Unrestricted	381,806	184,683	566,489
<b>TOTAL NET POSITION</b>	<b>\$ 981,356</b>	<b>\$ 479,981</b>	<b>\$ 1,461,337</b>

See accompanying notes to financial statements.

Village of Baroda

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended March 31, 2016

	Business-type Activities		
	Sewer	Water	Total
OPERATING REVENUES			
Charges for services	\$ 74,522	\$ 157,532	\$ 232,054
OPERATING EXPENSES			
Personnel services	31,959	13,834	45,793
Supplies	2,765	4,490	7,255
Contractual services	3,342	6,661	10,003
Administrative services	1,487	2,962	4,449
Repairs and maintenance	76,283	8,269	84,552
Utilities	4,607	103,922	108,529
Depreciation	40,374	22,200	62,574
TOTAL OPERATING EXPENSES	<u>160,817</u>	<u>162,338</u>	<u>323,155</u>
OPERATING (LOSS)	(86,295)	(4,806)	(91,101)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	2,442	15,712	18,154
Gain on sale of assets	3,000	-	3,000
Other revenue	35,628	-	35,628
Interest expense	-	(2,000)	(2,000)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>41,070</u>	<u>13,712</u>	<u>54,782</u>
CHANGE IN NET POSITION	(45,225)	8,906	(36,319)
Restated net position, beginning of year	<u>1,026,581</u>	<u>471,075</u>	<u>1,497,656</u>
Net position, end of year	<u>\$ 981,356</u>	<u>\$ 479,981</u>	<u>\$ 1,461,337</u>

See accompanying notes to financial statements.

Village of Baroda

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended March 31, 2016

	Business-type Activities		
	Sewer	Water	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 75,054	\$ 158,188	\$ 233,242
Cash paid to employees	(32,315)	(13,112)	(45,427)
Cash paid to suppliers	(164,407)	(125,312)	(289,719)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	(121,668)	19,764	(101,904)
<b>CASH FLOWS FROM NONCAPITAL ACTIVITIES</b>			
Miscellaneous receipts	35,628	-	35,628
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(31,594)	(4,500)	(36,094)
Proceeds from the sale of capital assets	3,000	-	3,000
Principal paid on debt	-	(10,000)	(10,000)
Interest paid on debt	-	(2,825)	(2,825)
<b>NET CASH (USED) IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(28,594)	(17,325)	(45,919)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	2,442	15,712	18,154
<b>NET INCREASE (DECREASE) IN CASH DURING YEAR</b>	(112,192)	18,151	(94,041)
Cash, beginning of year	487,043	151,683	638,726
Cash, end of year	\$ 374,851	\$ 169,834	\$ 544,685

See accompanying notes to financial statements.

Village of Baroda

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended March 31, 2016

	Business-type Activities		
	Sewer	Water	Total
Reconciliation of operating (loss) to net cash provided (used) by operating activities			
Operating (loss)	\$ (86,295)	\$ (4,806)	\$ (91,101)
Adjustments to reconcile operating income to net cash provided (used) by operating activities			
Depreciation	40,374	22,200	62,574
Decrease in:			
Accounts receivable	532	656	1,188
Prepaid expenses	1,285	1,016	2,301
Increase (decrease) in:			
Accounts payable	(77,208)	(24)	(77,232)
Accrued liabilities	(356)	722	366
	<u>\$ (121,668)</u>	<u>\$ 19,764</u>	<u>\$ (101,904)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (121,668)</u>	<u>\$ 19,764</u>	<u>\$ (101,904)</u>

See accompanying notes to financial statements.

Village of Baroda

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

**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, 2016

**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.



Village of Baroda

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

**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 and major Special Revenue Funds' 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.

Village of Baroda

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

**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 fair market value 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.

Village of Baroda

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

**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, 2016, the Village levied 9.9 mills per \$1,000 of taxable valuation. The taxable value for the 2015 levy for the property within the Village was \$17,086,613.

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.

The Internal Service Fund records charges for equipment rental to various Village departments and funds as revenue. All Village funds record these payments as operating expenditures/expenses. 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.

**NOTE B: CASH AND INVESTMENTS**

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, 2016

**NOTE B: CASH AND INVESTMENTS - 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, 2016, the carrying amounts of the Village's deposits were \$963,723 and the bank balance was \$961,319, of which \$757,759 was covered by federal depository insurance. The balance of \$203,560 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, 2016, 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, 2016:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash	\$ 813,607	\$ 216	\$ 813,823
Investments	150,000	-	150,000
	<u>\$ 963,607</u>	<u>\$ 216</u>	<u>\$ 963,823</u>

Village of Baroda

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

**NOTE C: 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 Major Street Fund from:	
General Fund	<u><u>\$      80,000</u></u>

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

**NOTE D: CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2016, was as follows:

	Restated Balance <u>April 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2016</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$  162,750	\$          -	\$          -	\$  162,750
Capital assets being depreciated				
Buildings and improvements	58,390	2,300	-	60,690
Land improvements	146,128	-	-	146,128
Infrastructure	1,491,308	-	-	1,491,308
Furniture and equipment	432,617	2,762	-	435,379
Vehicles	4,000	-	-	4,000
Utility systems	38,884	-	-	38,884
Subtotal	<u>2,171,327</u>	<u>5,062</u>	<u>-0-</u>	<u>2,176,389</u>
Less accumulated depreciation for:				
Buildings and improvements	(39,997)	(1,086)	-	(41,083)
Land improvements	(63,484)	(5,202)	-	(68,686)
Infrastructure	(262,974)	(21,254)	-	(284,228)
Furniture and equipment	(184,606)	(37,398)	-	(222,004)
Vehicles	(2,100)	(400)	-	(2,500)
Utility systems	(7,696)	(972)	-	(8,668)
Subtotal	<u>(560,857)</u>	<u>(66,312)</u>	<u>-0-</u>	<u>(627,169)</u>
Net capital assets being depreciated	<u>1,610,470</u>	<u>(61,250)</u>	<u>-0-</u>	<u>1,549,220</u>
Capital assets, net	<u><u>\$  1,773,220</u></u>	<u><u>\$    (61,250)</u></u>	<u><u>\$          -0-</u></u>	<u><u>\$  1,711,970</u></u>

Village of Baroda

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

**NOTE D: CAPITAL ASSETS - CONTINUED**

Depreciation expense was allocated to the following governmental activities:

General government	\$ 11,794
Public works	50,271
Recreation and culture	<u>4,247</u>
Total depreciation expense	<u><u>\$ 66,312</u></u>

	Restated Balance April 1, 2015	Additions	Deletions	Balance March 31, 2016
<b>Business-type activities</b>				
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	<u>26,972</u>	<u>31,594</u>	<u>(26,972)</u>	<u>31,594</u>
Subtotal	2,377,693	36,094	(26,972)	2,386,815
Less accumulated depreciation for:				
Buildings and improvements	-	(300)	-	(300)
Furniture and equipment	(59,118)	(6,232)	-	(65,350)
Utility systems	(1,421,385)	(55,252)	-	(1,476,637)
Vehicles	<u>(26,972)</u>	<u>(790)</u>	<u>26,972</u>	<u>(790)</u>
Subtotal	<u>(1,507,475)</u>	<u>(62,574)</u>	<u>26,972</u>	<u>(1,543,077)</u>
Net capital assets being depreciated	<u>870,218</u>	<u>(26,480)</u>	<u>-0-</u>	<u>843,738</u>
Capital assets, net	<u><u>\$ 951,328</u></u>	<u><u>\$ (26,480)</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 924,848</u></u>

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

Sewer system	\$ 40,374
Water system	<u>22,200</u>
Total depreciation expense	<u><u>\$ 62,574</u></u>

Village of Baroda

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

**NOTE E: 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, 2016:

	Balance April 1, 2015	Additions	Deletions	Balance March 31, 2016	Amounts Due Within One Year
Governmental activities					
Compensated absences	\$ -	\$ 5,021	\$ (2,332)	\$ 2,689	\$ 2,689
Business-type activities					
1979 Water System Bond	\$ 40,000	\$ -	\$ (10,000)	\$ 30,000	\$ 10,000

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

**Business-type Activities**

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, with interest at 5.00%, payable semi-annually.

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

Year Ending March 31,	Principal	Interest
2017	\$ 10,000	\$ 1,500
2018	10,000	1,000
2019	10,000	500
	<u>\$ 30,000</u>	<u>\$ 3,000</u>

**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, 2016, the total was \$2,689. The General Fund is typically used to liquidate compensated absences liabilities.

**NOTE F: 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 \$5,294 and the Plan's covered payroll was \$88,226. 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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

**NOTE G: 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.

**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.



Village of Baroda

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

**NOTE H: 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, 2016, is as follows:

Balance at April 1, 2015	\$	3,537
REVENUES		
Building and mechanical permits		8,709
EXPENDITURES		
Inspections		<u>(5,981)</u>
Balance at March 31, 2016	<u>\$</u>	<u>6,265</u>

**NOTE I: 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.

**NOTE J: RESTATEMENT OF BEGINNING NET POSITION**

Beginning net position has been restated for the overstatement of capital assets in the governmental activities and an understatement in the business-type activities and the Sewer Fund.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Sewer Fund</u>
Beginning net position	\$ 2,131,570	\$ 1,421,464	\$ 950,389
Capital assets, net	<u>(25,277)</u>	<u>76,192</u>	<u>76,192</u>
Restated beginning net position	<u>\$ 2,106,293</u>	<u>\$ 1,497,656</u>	<u>\$ 1,026,581</u>

**NOTE K: CONTRACTUAL COMMITMENTS**

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

Village of Baroda

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

**NOTE L: UPCOMING ACCOUNTING PRONOUNCEMENT**

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. 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. The Village is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

Village of Baroda

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes	\$ 168,550	\$ 181,050	\$ 176,936	\$ (4,114)
Licenses and permits	10,600	12,770	14,843	2,073
Intergovernmental	107,500	119,850	124,454	4,604
Charges for services	1,500	1,000	2,240	1,240
Fines and forfeitures	1,000	1,000	-	(1,000)
Interest and rents	600	3,300	4,401	1,101
Other	28,900	44,700	10,490	(34,210)
<b>TOTAL REVENUES</b>	<b>318,650</b>	<b>363,670</b>	<b>333,364</b>	<b>(30,306)</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
<b>General government</b>				
Council	10,050	10,050	8,587	1,463
President	8,945	8,495	7,505	990
Clerk	47,120	47,550	43,948	3,602
Treasurer	16,780	17,255	14,627	2,628
Building and grounds	15,145	18,395	18,678	(283)
Attorney	2,000	1,250	2,001	(751)
Audit	6,000	7,500	7,406	94
Other	18,500	20,550	31,965	(11,415)
<b>Total general government</b>	<b>124,540</b>	<b>131,045</b>	<b>134,717</b>	<b>(3,672)</b>
<b>Public safety</b>				
Police	17,100	16,900	1,218	15,682
Ordinance enforcement	2,450	1,150	687	463
Inspections	6,500	5,975	5,981	(6)
<b>Total public safety</b>	<b>26,050</b>	<b>24,025</b>	<b>7,886</b>	<b>16,139</b>
<b>Public works</b>				
Department of public works	91,380	86,180	64,145	22,035
Drains	500	200	23	177
Highways and streets	7,620	5,070	10,816	(5,746)
Street lighting	9,000	8,000	8,002	(2)
<b>Total public works</b>	<b>108,500</b>	<b>99,450</b>	<b>82,986</b>	<b>16,464</b>
<b>Community and economic development</b>				
Planning and zoning	4,550	3,940	4,158	(218)
Downtown Development Authority	12,000	4,000	3,510	490
Economic development	6,000	3,500	2,300	1,200
Community outreach	1,000	250	212	38
<b>Total community and economic development</b>	<b>23,550</b>	<b>11,690</b>	<b>10,180</b>	<b>1,510</b>
<b>Recreation and culture</b>				
Parks and recreation	17,315	17,940	10,355	7,585
<b>TOTAL EXPENDITURES</b>	<b>299,955</b>	<b>284,150</b>	<b>246,124</b>	<b>38,026</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>18,695</b>	<b>79,520</b>	<b>87,240</b>	<b>7,720</b>
<b>OTHER FINANCING (USES)</b>				
Transfers out	(108,000)	(90,000)	(80,000)	10,000
<b>NET CHANGE IN FUND BALANCE</b>	<b>(89,305)</b>	<b>(10,480)</b>	<b>7,240</b>	<b>17,720</b>
Fund balance, beginning of year	313,532	313,532	313,532	-0-
Fund balance, end of year	<u>\$ 224,227</u>	<u>\$ 303,052</u>	<u>\$ 320,772</u>	<u>\$ 17,720</u>

Village of Baroda

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 50,000	\$ 47,500	\$ 59,472	\$ 11,972
Interest	50	50	(21)	(71)
Other	85,000	-	-	-0-
TOTAL REVENUES	135,050	47,550	59,451	11,901
EXPENDITURES				
Current				
Public works				
Preservation	41,545	68,645	36,175	32,470
Construction	20,100	19,600	-	19,600
Traffic services	500	1,225	1,166	59
Winter maintenance	15,585	15,585	8,943	6,642
Administration	6,900	6,850	782	6,068
TOTAL EXPENDITURES	84,630	111,905	47,066	64,839
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	50,420	(64,355)	12,385	76,740
OTHER FINANCING SOURCES				
Transfers in	-	80,000	80,000	-0-
NET CHANGE IN FUND BALANCE	50,420	15,645	92,385	76,740
Fund balance, beginning of year	(77,622)	(77,622)	(77,622)	-0-
Fund balance, end of year	\$ (27,202)	\$ (61,977)	\$ 14,763	\$ 76,740

Village of Baroda

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended March 31, 2016

**NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

During the year ended March 31, 2016, 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	\$ 131,045	\$ 134,717	\$ 3,672

## **OTHER SUPPLEMENTARY INFORMATION**

Village of Baroda  
 Nonmajor Governmental Funds  
 COMBINING BALANCE SHEET  
 March 31, 2016

	<u>Special Revenue Funds</u>		
	<u>Local Street</u>	<u>Revolving Loan</u>	<u>Total</u>
ASSETS			
Cash	<u>\$ 28,474</u>	<u>\$ 67,887</u>	<u>\$ 96,361</u>
LIABILITIES			
Accrued liabilities	\$ 156	\$ -	\$ 156
FUND BALANCES			
Restricted for:			
Streets	28,318	-	28,318
Community and economic development	<u>-</u>	<u>67,887</u>	<u>67,887</u>
TOTAL FUND BALANCES	<u>28,318</u>	<u>67,887</u>	<u>96,205</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 28,474</u>	<u>\$ 67,887</u>	<u>\$ 96,361</u>



Village of Baroda

Nonmajor Governmental Funds

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

Year Ended March 31, 2016

	<u>Special Revenue Funds</u>		
	<u>Local Street</u>	<u>Revolving Loan</u>	<u>Total</u>
REVENUES			
Intergovernmental	\$ 25,745	\$ -	\$ 25,745
Interest	11	-	11
TOTAL REVENUES	25,756	-0-	25,756
EXPENDITURES			
Current			
Public works	26,714	-	26,714
EXCESS OF REVENUES (UNDER) EXPENDITURES	(958)	-0-	(958)
Fund balances, beginning of year	29,276	67,887	97,163
Fund balances, end of year	<u>\$ 28,318</u>	<u>\$ 67,887</u>	<u>\$ 96,205</u>

Village of Baroda

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

March 31, 2016

ASSETS	
Cash	<u>\$        216</u>
FUND BALANCE	
Unassigned	<u>\$        216</u>

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, 2016.

Village of Baroda

Component Unit Fund

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

Year Ended March 31, 2016

REVENUES	
Other revenue	<u>\$          216</u>
NET CHANGE IN FUND BALANCE	216
Fund balance, beginning of year	<u>                  -</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, 2016.