

Village of Edwardsburg

Cass County, Michigan

FINANCIAL STATEMENTS

Year ended March 31, 2020

DRAFT

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Edwardsburg, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Village of Edwardsburg, Michigan, as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, as listed in the 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, each major fund, and the remaining fund information of the Village of Edwardsburg, Michigan, as of March 31, 2020, 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 information, as listed in the 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.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Edwardsburg, Michigan's basic financial statements. The schedule of debt requirements is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of debt service requirements (supplementary information) is the responsibility of management and was 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Sigfried Crandall P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

DRAFT

Our discussion and analysis of the Village of Edwardsburg's (the Village) financial performance provides a narrative overview of the Village's financial activities for the fiscal year ended March 31, 2020. Please read it in conjunction with the Village's financial statements.

FINANCIAL HIGHLIGHTS

- The Village's total net position increased by \$271,301 as a result of this year's operations. Net position of the governmental activities increased by \$150,199, while the net position of the business-type activities increased by \$121,102.
- Of the \$5,177,627 total net position reported, \$1,462,991 (28 percent) is available to be used to meet the Village's ongoing obligations to its citizens and customers, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$416,411, which represents 122 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Village's annual report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents debt service requirements. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Village government, reporting the Village's operations in more detail than the government-wide financial statements.
 - Governmental funds statements explain how governmental services, like general government, public works, and public safety, were financed in the short-term, as well as what remains for future spending.
 - Proprietary funds statements offer short-term and long-term financial information about the activities the government operates like a business. The Village's proprietary funds include the Water Fund (an enterprise fund, which is the same as the business-type activities reported in the government-wide statements, but provides more detail and additional information, such as cash flows), and an internal service fund to report activities that provide services for the Village's other programs and activities.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required supplementary information and other supplementary information that further explain and support the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2020 and 2019 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Village's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the Village's net position and how it has changed. Net position (the difference between the Village's assets and liabilities) is one way to measure the Village's financial health, or position.

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

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

- *Governmental activities* - These activities include functions most commonly associated with government (e.g., general government, public safety, public works, etc.). Property taxes and intergovernmental revenues finance most of these activities.
- *Business-type activities* - The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's water system operations are reported here.

Fund financial statements

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

- Some funds are required by state law and grant agreements.
- The Village Council establishes other funds to control and manage money for particular purposes (like cemetery operations) or to show that it is properly using certain taxes and other revenues (like special assessments).

The Village has two types of funds:

- *Governmental funds*. Most of the Village's basic services are included in its governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Proprietary funds*. Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements, provide both long-term and short-term financial information.
 - The Village's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.
 - The Village uses an internal service fund (the other type of proprietary fund) to report activities that provide services for the Village's other programs and activities. The Village's internal service fund is its Motor Vehicle Pool Fund.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$5,177,627, an increase of \$271,301 from the prior year. However, \$2,189,563 of this total is invested in capital assets and \$1,525,073 is restricted (\$1,208,822 for debt service, \$301,744 for public works, and \$14,507 for general government). Consequently, unrestricted net position was \$1,462,991, or 28 percent of the total.

Condensed financial information
Net position

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 2,096,242	\$ 1,935,662	\$ 906,925	\$ 782,920	\$ 3,003,167	\$ 2,718,582
Capital assets	<u>3,130,890</u>	<u>3,205,658</u>	<u>323,326</u>	<u>326,597</u>	<u>3,454,216</u>	<u>3,532,255</u>
Total assets	<u>5,227,132</u>	<u>5,141,320</u>	<u>1,230,251</u>	<u>1,109,517</u>	<u>6,457,383</u>	<u>6,250,837</u>
Current and other liabilities	13,666	11,920	1,437	1,805	15,103	13,725
Long-term debt	<u>1,264,653</u>	<u>1,330,786</u>	<u>-</u>	<u>-</u>	<u>1,264,653</u>	<u>1,330,786</u>
Total liabilities	<u>1,278,319</u>	<u>1,342,706</u>	<u>1,437</u>	<u>1,805</u>	<u>1,279,756</u>	<u>1,344,511</u>
Net position:						
Net investment in capital assets	1,866,237	1,874,872	323,326	326,597	2,189,563	2,201,469
Restricted	<u>1,525,073</u>	<u>1,379,062</u>	<u>-</u>	<u>-</u>	<u>1,525,073</u>	<u>1,379,062</u>
Unrestricted	<u>557,503</u>	<u>544,680</u>	<u>905,488</u>	<u>781,115</u>	<u>1,462,991</u>	<u>1,325,795</u>
Total net position	<u>\$ 3,948,813</u>	<u>\$ 3,798,614</u>	<u>\$ 1,228,814</u>	<u>\$ 1,107,712</u>	<u>\$ 5,177,627</u>	<u>\$ 4,906,326</u>

Changes in net position

The Village's total revenues were \$1,001,505. Approximately 50 percent of the Village's revenues come from charges for services. Property taxes account for 19 percent of the total revenues, while state shared revenue accounts for about 13 percent. Operating grants represent 16 percent of total revenues.

The total cost of the Village's programs, covering a wide range of services, totaled \$730,204. About 29 percent of the Village's costs relate to the provision of utility services and 29 percent relates to public works (primarily roads). General government costs represent 23 percent of all expenses.

Condensed financial information
Changes in net position

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	2020	2019	2020	2019	2020	2019
Program revenues:						
Charges for services	\$ 174,345	\$ 165,568	\$ 325,300	\$ 288,428	\$ 499,645	\$ 453,996
Operating grants	160,092	147,741	-	-	160,092	147,741
General revenues:						
Property taxes	185,807	135,501	-	-	185,807	135,501
State shared revenue	132,197	126,333	-	-	132,197	126,333
Franchise fees	9,098	9,930	-	-	9,098	9,930
Interest income	5,299	4,184	9,367	7,508	14,666	11,692
Gain on sale of capital assets	-	5,501	-	-	-	5,501
Total revenues	666,838	594,758	334,667	295,936	1,001,505	890,694
Expenses:						
General government	170,387	142,651	-	-	170,387	142,651
Public safety	71,815	71,928	-	-	71,815	71,928
Public works	213,950	249,808	-	-	213,950	249,808
Community and economic development	3,447	2,431	-	-	3,447	2,431
Recreation and culture	7,971	5,147	-	-	7,971	5,147
Interest expense	49,069	54,349	-	-	49,069	54,349
Public utilities	-	-	213,565	234,201	213,565	234,201
Total expenses	516,639	526,314	213,565	234,201	730,204	760,515
Changes in net position	\$ 150,199	\$ 68,444	\$ 121,102	\$ 61,735	\$ 271,301	\$ 130,179
Net position, end of year	\$ 3,948,813	\$ 3,798,614	\$ 1,228,814	\$ 1,107,712	\$ 5,177,627	\$ 4,906,326

Governmental activities

Governmental activities increased the Village's net position by \$150,199 in the current year compared to an increase of \$68,444 in the prior year. The increase is attributable to a new millage for municipal streets and contributions received for the "All Aboard" Project, a landscaping project in collaboration with Ontwa Township and Canadian National Railway, to make improvements to the railway causeway. The Village also experienced a decrease in routine maintenance costs to the Village's major and local streets.

The total cost of governmental activities this year was \$516,639. After subtracting the direct charges to those who directly benefited from the programs (\$174,345) and operating grants (\$160,092), the "public benefit" portion to be covered by property taxes, state shared revenue, and other general revenues was \$182,202.

Business-type activities

Business-type activities increased the Village's net position by \$121,102 in 2020 compared to an increase of \$61,735 in 2019. The increase is attributable to an increase in water usage billed and lower operating costs.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Governmental funds

At March 31, 2020, the Village's governmental funds reported combined ending fund balances of \$1,032,095, which represents an increase of \$229,301 from the prior year.

The General Fund is the primary operating fund of the Village. At the end of the fiscal year, the fund had a fund balance of \$477,459, which represents an increase of \$43,780, as revenues of \$390,898 exceeded expenditures and transfers to other funds of \$340,618 and \$6,500, respectively.

The Major Street Fund, a special revenue fund, accounts for the use of motor fuel taxes that are earmarked by state statute for major street repairs and improvements. Its fund balance at March 31, 2020, was \$193,612, an increase of \$60,730, as revenues of \$104,246 exceeded street maintenance costs of \$43,516.

The Local Street Fund, a special revenue fund, accounts for the use of motor fuel taxes that are earmarked by state statute for local street repairs and improvements. Its fund balance at March 31, 2020, was \$62,880, an increase of \$16,255, as revenues and transfers in of \$36,263 and \$6,500, respectively, exceeded street maintenance costs of \$26,508.

The Sanitary Sewer Special Assessment Fund, a debt service fund, accounts for the use of special assessments and user charges to pay debt service costs related to long-term debt used to finance infrastructure improvements to benefited properties. Its restricted fund balance at the end of the fiscal year was \$252,892, an increase of \$63,284, as revenues of \$142,844 exceeded expenditures of \$79,560.

Proprietary fund

The Water Fund, the Village's sole enterprise (proprietary) fund, reported a net position at the end of the fiscal year of \$1,221,063, an increase of \$124,575, as revenues of \$334,667 exceeded expenses of \$210,092.

General Fund budgetary highlights

The Village amended the General Fund budget during 2020 to adjust for unanticipated revenues and expenditures. Actual revenues were \$34,817 less than budgeted, while expenditures were \$77,303 lower than the amounts appropriated. These variances resulted in a \$42,486 positive budget variance, with a \$43,780 increase in fund balance, compared to a budget that expected a \$1,294 increase in fund balance.

Revenues showed positive variances in most revenue sources, though a negative variance for other revenues was due to less than anticipated contributions for the "All Aboard" Project. Positive expenditure variances primarily resulted from lower than anticipated costs in nearly all of the Village's activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

At March 31, 2020, the Village had invested \$3,454,216 (net of accumulated depreciation) in various capital assets, including its land, buildings, equipment, and utility system. This amount represents a net decrease of \$78,039, comprised of \$58,280 in additions less \$136,319 in provisions for depreciation.

Major capital asset acquisitions included the purchase of a 2018 10-yard leaf machine for \$27,000 and Sensus meter reading equipment for \$24,480.

More detailed information about the Village's capital assets is presented in Note 5 of the notes to the basic financial statements.

Debt

At the end of the fiscal year, the Village had debt outstanding in the amount of \$1,264,653, a decrease of \$66,133. All required principal payments were paid in a timely manner during the current fiscal year. The debt is backed by the full faith and credit of the Village. The Village also reports an obligation for compensated absences of \$5,150.

More detailed information about the Village's long-term liabilities is presented in Note 6 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Village plans to primarily use current revenues to provide essential services in fiscal year 2021, in order to maintain current fund balances. The Village does not base its revenues on a single company or manufacturing operation but, instead, enjoys a balanced mix of commercial, industrial, and residential properties, which helps to ensure steady property tax revenues. The Village will continue to monitor all potential costs associated with any major project undertakings and to minimize operational costs, where available, to continue to provide the best possible services to the citizens. The Village continues to review all budget line-items for opportunities to reduce expenditures. The budget will be monitored during the year to identify any necessary amendments.

Water charges for services were approved to increase for fiscal year 2021.

COVID-19 has created uncertainties that are likely to negatively impact our operations and financial condition. While it is difficult to estimate the financial impact of COVID-19, we expect certain revenues to decline. Because economic activity has weakened, state shared revenue is expected to decrease and interest revenue will be reduced due to lower interest rates.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Village's finances to its citizens, customers, investors, and creditors and to demonstrate the Village's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Scott Mackling, President
Village of Edwardsburg
26296 U.S. 12 East
Edwardsburg, MI 49112

Phone: (269) 663-8484

BASIC FINANCIAL STATEMENTS

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STATEMENT OF NET POSITION

March 31, 2020

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
ASSETS			
Current assets:			
Cash	\$ 1,029,486	\$ 866,930	\$ 1,896,416
Receivables, net	168,287	28,625	196,912
Prepays	26,021	3,619	29,640
Internal balances	(7,751)	7,751	-
Total current assets	<u>1,216,043</u>	<u>906,925</u>	<u>2,122,968</u>
Noncurrent assets:			
Receivables, net	880,199	-	880,199
Capital assets not being depreciated - land	27,291	32,719	60,010
Capital assets, net of accumulated depreciation	<u>3,103,599</u>	<u>290,607</u>	<u>3,394,206</u>
Total noncurrent assets	<u>4,011,089</u>	<u>323,326</u>	<u>4,334,415</u>
Total assets	<u>5,227,132</u>	<u>1,230,251</u>	<u>6,457,383</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	8,516	1,437	9,953
Current portion of long-term debt	<u>73,832</u>	<u>-</u>	<u>73,832</u>
Total current liabilities	<u>82,348</u>	<u>1,437</u>	<u>83,785</u>
Noncurrent liabilities:			
Compensated absences	5,150	-	5,150
Long-term debt	<u>1,190,821</u>	<u>-</u>	<u>1,190,821</u>
Total noncurrent liabilities	<u>1,195,971</u>	<u>-</u>	<u>1,195,971</u>
Total liabilities	<u>1,278,319</u>	<u>1,437</u>	<u>1,279,756</u>
NET POSITION			
Net investment in capital assets	1,866,237	323,326	2,189,563
Restricted for:			
General government	14,507	-	14,507
Public works	301,744	-	301,744
Debt service	1,208,822	-	1,208,822
Unrestricted	<u>557,503</u>	<u>905,488</u>	<u>1,462,991</u>
Total net position	<u>\$ 3,948,813</u>	<u>\$ 1,228,814</u>	<u>\$ 5,177,627</u>

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended March 31, 2020

	Program revenues			Net (expenses) revenues and changes in net position	
	Expenses	Charges for services	Operating grants and contributions	Governmental activities	Business-type activities
Functions/Programs					
Governmental activities:					
General government	\$ 170,387	\$ 22,571	\$ 14,507	\$ (133,309)	\$ (133,309)
Public safety	71,815	6,795	1,355	(63,665)	(63,665)
Public works	213,950	55,190	144,230	(14,530)	(14,530)
Community and economic development	3,447	675	-	(2,772)	(2,772)
Recreation and culture	7,971	-	-	(7,971)	(7,971)
Interest on long-term debt	49,069	89,114	-	40,045	40,045
Total governmental activities	516,639	174,345	160,092	(182,202)	(182,202)
Business-type activities - water	213,565	325,300	-		\$ 111,735
Totals	\$ 730,204	\$ 499,645	\$ 160,092	(182,202)	111,735
General revenues					
Property taxes:					
Operating				140,571	-
Municipal Roads				45,236	-
State grants				132,197	-
Cable fees				9,098	-
Investment income				5,299	9,367
Total general revenues				332,401	9,367
Changes in net position				150,199	121,102
Net position - beginning				3,798,614	1,107,712
Net position - ending				\$ 3,948,813	\$ 1,228,814

See notes to financial statements

BALANCE SHEET - governmental funds

March 31, 2020

	<u>Special revenue funds</u>			<u>Debt service fund</u>	<u>Nonmajor</u>	<u>Total governmental funds</u>
	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Sanitary Sewer Special Assessment</u>		
ASSETS						
Cash	\$ 440,722	\$ 175,630	\$ 56,722	\$ 236,313	\$ 42,707	\$ 952,094
Receivables, net	<u>47,933</u>	<u>18,427</u>	<u>6,404</u>	<u>973,177</u>	<u>2,545</u>	<u>1,048,486</u>
Total assets	<u>\$ 488,655</u>	<u>\$ 194,057</u>	<u>\$ 63,126</u>	<u>\$ 1,209,490</u>	<u>\$ 45,252</u>	<u>\$ 2,000,580</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities - accounts payable and accrued expenses	<u>\$ 3,257</u>	<u>\$ 445</u>	<u>\$ 246</u>	<u>\$ 668</u>	<u>\$ -</u>	<u>\$ 4,616</u>
Deferred inflows of resources:						
Unavailable delinquent property taxes	7,939	-	-	-	-	7,939
Unavailable special assessment revenues	-	-	-	930,282	-	930,282
Unavailable interest revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,648</u>	<u>-</u>	<u>25,648</u>
Total deferred inflows of resources	<u>7,939</u>	<u>-</u>	<u>-</u>	<u>955,930</u>	<u>-</u>	<u>963,869</u>
Fund balances:						
Restricted for:						
Public works	-	193,612	62,880	-	45,252	301,744
Debt service	-	-	-	252,892	-	252,892
General government	14,507	-	-	-	-	14,507
Assigned for general government (cemetery)	46,541	-	-	-	-	46,541
Unassigned	<u>416,411</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>416,411</u>
Total fund balances	<u>477,459</u>	<u>193,612</u>	<u>62,880</u>	<u>252,892</u>	<u>45,252</u>	<u>1,032,095</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 488,655</u>	<u>\$ 194,057</u>	<u>\$ 63,126</u>	<u>\$ 1,209,490</u>	<u>\$ 45,252</u>	<u>\$ 2,000,580</u>

BALANCE SHEET - governmental funds (Continued)

March 31, 2020

Reconciliation of the balance sheet to the statement of net position:

Total fund balance - total governmental funds (page 13)	\$ 1,032,095
Amounts reported for <i>governmental activities</i> in the statement of net position (page 11) are different because:	
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	2,849,670
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred or are not recognized in the funds.	963,869
Prepaid items are not financial resources and, therefore, are not reported in the funds	15,806
Interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(3,900)
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Long-term debt	(1,264,653)
Compensated absences	(5,150)
Certain assets and liabilities of the internal service fund are included in <i>governmental activities</i> in the statement of net position.	<u>361,076</u>
Net position of <i>governmental activities</i>	<u>\$ 3,948,813</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds

Year ended March 31, 2020

	<u>General</u>	<u>Special revenue funds</u>		<u>Debt service fund</u>		<u>Total governmental funds</u>
		<u>Major Street</u>	<u>Local Street</u>	<u>Sanitary Sewer Special Assessment</u>	<u>Nonmajor</u>	
REVENUES						
Taxes	\$ 140,334	\$ -	\$ -	\$ -	\$ 45,236	\$ 185,570
Licenses and permits	12,728	-	-	-	-	12,728
State grants	139,056	102,948	35,778	-	-	277,782
Charges for services	72,827	-	-	44,885	-	117,712
Fines and forfeitures	3,975	-	-	-	-	3,975
Interest and rentals	7,471	1,298	485	44,945	16	54,215
Other	14,507	-	-	53,014	-	67,521
Total revenues	390,898	104,246	36,263	142,844	45,252	719,503
EXPENDITURES						
Current:						
General government	160,732	-	-	-	-	160,732
Public safety	71,815	-	-	-	-	71,815
Public works	61,171	43,516	26,508	-	-	131,195
Community and economic development	3,447	-	-	-	-	3,447
Recreation and culture	7,211	-	-	-	-	7,211
Capital outlay	500	-	-	-	-	500
Debt service:						
Principal	33,133	-	-	33,000	-	66,133
Interest	2,609	-	-	46,560	-	49,169
Total expenditures	340,618	43,516	26,508	79,560	-	490,202
EXCESS OF REVENUES OVER EXPENDITURES	50,280	60,730	9,755	63,284	45,252	229,301
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	6,500	-	-	6,500
Transfers out	(6,500)	-	-	-	-	(6,500)
Net other financing sources (uses)	(6,500)	-	6,500	-	-	-
NET CHANGES IN FUND BALANCES	43,780	60,730	16,255	63,284	45,252	229,301
FUND BALANCES - BEGINNING	433,679	132,882	46,625	189,608	-	802,794
FUND BALANCES - ENDING	\$ 477,459	\$ 193,612	\$ 62,880	\$ 252,892	\$ 45,252	\$ 1,032,095

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - *governmental funds*

(Continued)

Year ended March 31, 2020

Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:

Net change in fund balance - total governmental funds (page 15) \$ 229,301

Amounts reported for *governmental activities* in the statement of activities (page 12) are different due to the following:

Capital assets:

Additions	1,971
Provision for depreciation	(79,973)

Long-term debt:

Principal payments on debt	66,133
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Deferred inflows of resources:

Increase in unavailable delinquent property taxes	237
Decrease in unavailable special assessments	(53,301)
Decrease in unavailable interest revenues	(716)

Changes in other assets/liabilities:

Net decrease in prepaid expenses	(2,160)
Net increase in liability for compensated absences	(2,159)
Net decrease in interest payable	100

Certain net income of internal service fund	(9,234)
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Change in position of <i>governmental activities</i>	\$ 150,199
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STATEMENT OF NET POSITION - proprietary funds

March 31, 2020

	<i>Business-type activities</i>	<i>Governmental activities</i>
	<i>Water</i>	<i>Internal service</i>
ASSETS		
Current assets:		
Cash	\$ 866,930	\$ 77,392
Receivables, net	28,625	-
Prepays	3,619	10,215
Total current assets	899,174	87,607
Noncurrent assets:		
Capital assets not being depreciated - land	32,719	-
Capital assets, net of accumulated depreciation	290,607	281,220
Total noncurrent assets	323,326	281,220
Total assets	1,222,500	368,827
LIABILITIES		
Current liabilities - accounts payable and accrued expenses	1,437	-
NET POSITION		
Investment in capital assets	323,326	281,220
Unrestricted	897,737	87,607
Total net position	\$ 1,221,063	\$ 368,827
 Total net position of Water Fund	 \$ 1,221,063	
Amounts reported for <i>business-type activities</i> in the statement of net position (page 11) are different because:		
Certain net position of internal service fund	7,751	
Net position of <i>business-type activities</i>	\$ 1,228,814	

See notes to financial statements

Village of Edwardsburg

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - *proprietary funds***

Year ended March 31, 2020

	<i>Business-type activities</i>	<i>Governmental activities</i>
	<i>Water</i>	<i>Internal service</i>
OPERATING REVENUES		
Charges for services	\$ 325,300	\$ 38,644
OPERATING EXPENSES		
Utility operations	177,512	-
Motor vehicle pool operations	-	28,413
Depreciation	32,580	23,766
Total operating expenses	210,092	52,179
OPERATING INCOME (LOSS)	115,208	(13,535)
NONOPERATING REVENUES		
Interest revenue	9,367	828
CHANGES IN NET POSITION	124,575	(12,707)
NET POSITION - BEGINNING	1,096,488	381,534
NET POSITION - ENDING	\$ 1,221,063	\$ 368,827

Reconciliation of the statement of revenues, expenses, and changes in net position to the statement of activities:

Change in net position of Water Fund \$ 124,575

Amounts reported for *business-type activities* in the statement of activities (page 12) are different due to the following:

Certain net income of internal service fund (3,473)

Change in net position of *business-type activities* \$ 121,102

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds

Year ended March 31, 2020

	<i>Business-type activities</i>	<i>Governmental activities</i>
	<i>Water</i>	<i>Internal service</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 323,714	\$ -
Receipts from interfund services provided	-	38,644
Payments to vendors and suppliers	(94,856)	(23,622)
Payments to employees	(73,426)	(4,858)
Payments for interfund services received	(9,916)	-
	<u>145,516</u>	<u>10,164</u>
Net cash provided by operating activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(29,309)	(27,000)
	<u></u>	<u></u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	9,367	828
	<u></u>	<u></u>
NET INCREASE (DECREASE) IN CASH	125,574	(16,008)
CASH - BEGINNING	<u>741,356</u>	<u>93,400</u>
CASH - ENDING	<u>\$ 866,930</u>	<u>\$ 77,392</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 115,208	\$ (13,535)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	32,580	23,766
Increase in receivables	(1,586)	-
Increase in prepaid items	(318)	(39)
Decrease in accounts payable	(368)	(28)
	<u></u>	<u></u>
Net cash provided by operating activities	<u>\$ 145,516</u>	<u>\$ 10,164</u>

See notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Edwardsburg, Michigan (the Village), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting entity:

As required by generally accepted accounting principles, these financial statements present only the Village (located in Cass County), as there are no other entities for which the Village is considered to be financially accountable.

Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Village. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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.

Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Village generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued):

The Major Street Fund, a special revenue fund, accounts for the use of motor fuel taxes that are earmarked by state statute for major street repairs and improvements.

The Local Street Fund, a special revenue fund, accounts for the use of motor fuel taxes that are earmarked by state statute for local street repairs and improvements.

The Sanitary Sewer Special Assessment Fund, a debt service fund, accounts for the use of special assessments to finance the repayment of certain long-term debt.

The Village reports one major enterprise fund, the Water Fund, which accounts for the activities of the Village's water distribution system.

The Motor Vehicle Pool Fund, an internal service fund, accounts for vehicle and equipment management services provided to other departments of the Village on a cost-reimbursement basis.

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

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 proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, liabilities, deferred inflows of resources, and equity:

Bank deposits - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

Receivables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." No allowance for uncollectible accounts has been recorded, as the Village considers all receivables to be fully collectible.

Prepaid expenses - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaids in the business-type activities, internal service fund, and government-wide financial statements.

Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the Village as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date received. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Village has elected to account for its infrastructure assets prospectively, beginning April 1, 2004.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, liabilities, deferred inflows of resources, and equity (continued):

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	5 - 20 years
Vehicles	4 - 20 years
Infrastructure	50 years

Compensated absences - It is the Village's policy to permit employees to accumulate earned but unused vacation pay benefits. There is no liability for unpaid sick leave because the Village does not have a policy to pay any amounts when an employee separates from service with the Village. All vacation pay is accrued when incurred in the government-wide and proprietary funds financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Deferred inflows of resources - The governmental funds balance sheet includes a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs. The Village has several items that are included in this category: property taxes, special assessments, and interest. These items, which are recognized as they become available (collected within 60 days after the end of the Village's fiscal year), are deferred and recognized as an inflow of resources in the period that the revenues become available.

Long-term obligations - In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net position - Net position represents the difference between assets, and liabilities and deferred inflows of resources. The Village reports three categories of net position, as follows: (1) *Net investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the Village's debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the Village.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Assets, liabilities, deferred inflows of resources, and equity (continued):*

Fund equity - Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are not in spendable form. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The Council has delegated the authority to assign fund balance to the Village manager. Unassigned fund balance is the residual classification for the General Fund. When the Village incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Village's policy to use the restricted fund balance first, followed by assigned fund balance, and, finally, unassigned fund balance.

Property tax revenue recognition - Property taxes are levied each July 1 (lien date) on the taxable valuation of property as of the preceding December 31. Property taxes are considered delinquent on September 14 of the following year, at which time, interest and penalties are assessed. It is the Village's policy to recognize revenue from that tax levy in the current year, when the proceeds are budgeted and made available for the financing of operations.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for certain governmental funds. The budget document presents information by fund, function, activity, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year. The Village did not have any significant budget variations at year end.

NOTE 3 - CASH

Cash, as presented in the accompanying financial statements, consisted of the following:

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
Deposits	\$ 1,029,348	\$ 866,742	\$ 1,896,090
Cash on hand	<u>138</u>	<u>188</u>	<u>326</u>
Totals	<u>\$ 1,029,486</u>	<u>\$ 866,930</u>	<u>\$ 1,896,416</u>

Deposits are carried at cost. State statutes and the Village's investment policy authorize the Village to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Village's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Village will not be able to recover its deposits. The Village's investment policy does not specifically address custodial credit risk for deposits. At March 31, 2020, \$1,297,109 of the Village's bank balances of \$1,898,980 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - RECEIVABLES

Receivables as of March 31, 2020, for the Village's individual major funds and the nonmajor fund were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Property taxes</u>	<u>Intergovern- mental</u>	<u>Special assessments</u>	<u>Interest</u>	<u>Totals</u>
Governmental:						
General	\$ 7,755	\$ 18,746	\$ 21,432	\$ -	\$ -	\$ 47,933
Major Street	-	-	18,427	-	-	18,427
Local Street	-	-	6,404	-	-	6,404
Sanitary Sewer Special Assessment	9,576	-	948	933,124	29,529	973,177
Nonmajor	-	2,545	-	-	-	2,545
Total governmental	<u>\$ 17,331</u>	<u>\$ 21,291</u>	<u>\$ 47,211</u>	<u>\$ 933,124</u>	<u>\$ 29,529</u>	<u>\$1,048,486</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 880,199</u>	<u>\$ -</u>	<u>\$ 880,199</u>
Proprietary - Water	<u>\$ 28,625</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,625</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2020, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 27,291	\$ -	\$ -	\$ 27,291
Capital assets being depreciated:				
Infrastructure	3,678,373	-	-	3,678,373
Land improvements	65,650	-	-	65,650
Buildings	198,986	-	-	198,986
Furniture, fixtures, and equipment	60,181	28,971	-	89,152
Vehicles	432,411	-	-	432,411
Subtotal	4,435,601	28,971	-	4,464,572
Less accumulated depreciation for:				
Infrastructure	(859,398)	(73,176)	-	(932,574)
Land improvements	(61,126)	(904)	-	(62,030)
Buildings	(127,237)	(4,288)	-	(131,525)
Furniture, fixtures, and equipment	(51,324)	(3,116)	-	(54,440)
Vehicles	(158,149)	(22,255)	-	(180,404)
Subtotal	(1,257,234)	(103,739)	-	(1,360,973)
Total capital assets being depreciated, net	3,178,367	(74,768)	-	3,103,599
Governmental activities capital assets, net	\$ 3,205,658	\$ (74,768)	\$ -	\$ 3,130,890

Depreciation expense was charged to governmental activities, exclusive of depreciation attributable to the internal service fund of \$23,766, as follows:

Governmental activities:	
General government	\$ 6,797
Public works	73,176
Total governmental activities	\$ 79,973

NOTE 5 - CAPITAL ASSETS (Continued)

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Business-type activities - water				
Capital assets not being depreciated - land	\$ 32,719	\$ -	\$ -	\$ 32,719
Capital assets being depreciated:				
Building	64,866	-	-	64,866
Water system	1,653,558	4,829	-	1,658,387
Equipment	62,306	24,480	-	86,786
Subtotal	1,780,730	29,309	-	1,810,039
Less accumulated depreciation for:				
Building	(63,601)	(97)	-	(63,698)
Water system	(1,387,183)	(28,155)	-	(1,415,338)
Equipment	(36,068)	(4,328)	-	(40,396)
Subtotal	(1,486,852)	(32,580)	-	(1,519,432)
Total capital assets being depreciated, net	293,878	(3,271)	-	290,607
Business-type activities - water capital assets, net	\$ 326,597	\$ (3,271)	\$ -	\$ 323,326

NOTE 6 - LONG-TERM LIABILITIES

At March 31, 2020, long-term obligations consisted of the following issues:

In 2006, the Village entered into a \$2,700,000 contract with Cass County to finance construction costs of a sanitary sewer line in the Village. The contract is currently payable in annual principal installments ranging between \$39,200 and \$60,200, plus semi-annual interest at 4.125% per annum, through September 2045. In 2018, the Village voluntarily paid an additional \$364,500 of debt principal, with penalty. The Village has levied special assessments against benefited property totaling \$2,328,109 in order to repay the contract. The assessments bear the same rate of interest as the contract. In addition, the Township of Ontwa bills benefited property owners a monthly debt service charge, which is remitted as collected to the Village. Delinquent unpaid monthly charges are added to winter tax bills so as to assure collection. The Village has pledged its full faith and credit for repayment of the contract.

In 2019, the Village entered into a \$170,775 installment purchase agreement to finance the purchase of a 2019 International snow plow. The agreement is currently payable in monthly installments of \$2,978, including interest at 1.800% per annum, thru December 2023.

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Long-term liability activity for the year ended March 31, 2020, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>	<u>Amounts due in one year</u>
Governmental activities:					
2006 Contract payable, Cass County	\$ 1,168,200	\$ -	\$ (33,000)	\$ 1,135,200	\$ 40,200
2019 Installment purchase agreement	162,586	-	(33,133)	129,453	33,632
Compensated absences	<u>2,991</u>	<u>4,706</u>	<u>(2,547)</u>	<u>5,150</u>	<u>-</u>
Totals	<u>\$ 1,333,777</u>	<u>\$ 4,706</u>	<u>\$ (68,680)</u>	<u>\$ 1,269,803</u>	<u>\$ 73,832</u>

At March 31, 2020, debt service requirements, excluding compensated absences, were as follows:

<u>Year ended</u>	<u>Governmental activities</u>	
<u>March 31:</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 73,832	\$ 47,757
2022	75,497	45,467
2023	76,119	43,145
2024	68,805	40,803
2025	43,200	38,841
2026 - 2030	223,000	167,041
2031 - 2035	240,000	119,336
2036 - 2040	261,000	67,754
2041 - 2044	<u>203,200</u>	<u>14,471</u>
Totals	<u>\$ 1,264,653</u>	<u>\$ 584,615</u>

NOTE 7 - PROPERTY TAXES

The 2019 taxable valuation of the Village approximated \$22,764,000, on which ad valorem taxes levied consisted of 5.6628 mills for operating purposes and 2.0000 mills for municipal streets, raising approximately \$129,000 and \$46,000, respectively. This amount is recognized in the respective fund financial statements as property tax revenue.

NOTE 8 - DEFINED CONTRIBUTION PENSION PLAN

The Village contributes to a Simplified Employee Pension Individual Retirement Arrangement (SEP) a defined contribution pension, individual account plan, which is administered by a third-party administrator. The plan covers all full-time employees (over 20 hours per week).

Benefit terms, including contribution requirements, for the Plan are established, and may be amended, by the Village Council. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate as described above. The Village contributes 5% of each qualified employee's base salary to the plan. For the year ended March 31, 2020, the Village made the required contributions of \$6,556. At March 31, 2020, the Village reported an accrued liability of \$1,631 as part of the annual contributions to the plan.

The Village's contributions for each employee (and investment earnings allocated to the employee's account) are fully vested on the day the employee is eligible to participate in the plan, which occurs from the date of employment. The Village is not a trustee of the defined contribution pension plan, nor is the Village responsible for investment management of the pension plan assets. Accordingly, plan assets, and changes therein, are not reported in these financial statements.

NOTE 9 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 - INTERFUND TRANSFER

During the year ended March 31, 2020, the General Fund transferred \$6,500 to the Local Street Fund to finance a portion of local street costs.

NOTE 11 - JOINT VENTURE

The Village is a member of the Ontwa Township-Edwardsburg Police Department (the Department), which is a joint venture of the Township of Ontwa and the Village of Edwardsburg. The administrative board of the Department consists of members appointed by each participating unit and a member-at-large. The Department was formed to jointly provide police protection services within the combined service area, which encompasses the participating municipalities. During the year ended March 31, 2020, the Village of Edwardsburg contributed \$55,000 as its proportionate share of the Department's budgeted costs. Financial information of the joint venture is available from the Department's office in Edwardsburg, Michigan.

The interlocal agreement that established the joint venture does not convey to the Village an explicit equity interest in the joint venture. Accordingly, no equity interests in a joint venture are reported as assets of the Village.

The Village is unaware of any indication that the joint venture is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit or burden on the Village in the near future.

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

The Village, along with the Townships of Milton and Ontwa, established the Edwardsburg Ambulance Service (the Service) for the purpose of providing ambulance services. The governing body of the Service is made up of two individuals appointed by each local unit and one at-large individual. Membership does not convey an explicit equity interest in the Service. Operating costs are financed through user fees and taxes levied by the Townships.

The Village, along with the Townships of Jefferson, Milton, and Ontwa, established the Edwardsburg Joint Fire Board (the Board) for the purpose of providing fire protection services. The governing body of the Board is made up of individuals appointed by each local unit. Membership does not convey an explicit equity interest in the Board. Operating costs are financed through taxes levied by the Townships.

The Village and the Township of Ontwa established the Uptown Corridor Improvement Authority (the Authority) for the purpose of correcting and preventing deterioration and promoting economic growth within the downtown district. The Authority has a limited life of 20 years (through 2030). The governing body of the Authority is made up of individuals appointed by each local unit. Membership does not convey an explicit equity interest in the Authority. Operating costs are financed through the capture of eligible property taxes levied on new construction within the downtown district. Currently, the Authority is inactive, as there have been no tax captures.

NOTE 13 - RESTRICTED NET POSITION

In the government-wide statement of net position, net position includes \$301,744 restricted for public works, of which \$256,492 is restricted by enabling legislation.

NOTE 14 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for periods beginning after June 15, 2021. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

NOTE 15 - SUBSEQUENT EVENT

As a result of COVID-19, which occurred subsequent to the end of the fiscal year, economic uncertainties have arisen which are likely to negatively impact the Village. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the financial impact on the Village. Therefore, the Village expects this matter to negatively impact its operations and financial condition. However, the related financial impact and duration cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

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BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended March 31, 2020

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 140,855	\$ 140,855	\$ 140,334	\$ (521)
Licenses and permits	16,470	16,470	12,728	(3,742)
State grants	129,600	129,600	139,056	9,456
Charges for services	74,448	74,448	72,827	(1,621)
Fines and forfeitures	100	100	3,975	3,875
Interest and rentals	6,742	6,742	7,471	729
Other	2,500	57,500	14,507	(42,993)
Total revenues	<u>370,715</u>	<u>425,715</u>	<u>390,898</u>	<u>(34,817)</u>
EXPENDITURES				
General government:				
Legislative	2,318	2,467	2,467	-
Elections	1,000	1,000	906	94
Clerk	43,765	43,765	32,783	10,982
Treasurer	7,330	8,069	8,069	-
Buildings and grounds	34,315	90,220	35,678	54,542
Cemetery	24,810	29,313	29,049	264
General administration	50,612	51,810	51,780	30
Total general government	<u>164,150</u>	<u>226,644</u>	<u>160,732</u>	<u>65,912</u>
Public safety:				
Police	61,300	61,355	60,330	1,025
School crossing guard	5,000	6,741	7,065	(324)
Inspections	7,248	7,261	4,420	2,841
Total public safety	<u>73,548</u>	<u>75,357</u>	<u>71,815</u>	<u>3,542</u>
Public works:				
Administration	1,750	1,750	680	1,070
Street lights	8,000	8,000	7,790	210
Sewer commission	2,798	2,813	2,096	717
Trash services	45,500	50,660	50,605	55
Total public works	<u>58,048</u>	<u>63,223</u>	<u>61,171</u>	<u>2,052</u>

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2020

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
EXPENDITURES (Continued)				
Community and economic development -				
Planning and zoning	\$ 3,832	\$ 4,049	\$ 3,447	\$ 602
Culture and recreation - parks	12,330	12,383	7,211	5,172
Capital outlay	1,000	500	500	-
Debt service:				
Principal	33,143	33,143	33,133	10
Interest	2,622	2,622	2,609	13
Total expenditures	348,673	417,921	340,618	77,303
EXCESS OF REVENUES OVER EXPENDITURES	22,042	7,794	50,280	42,486
OTHER FINANCING USES				
Transfers out	(6,500)	(6,500)	(6,500)	-
NET CHANGES IN FUND BALANCES	15,542	1,294	43,780	42,486
FUND BALANCES - BEGINNING	433,679	433,679	433,679	-
FUND BALANCES - ENDING	<u>\$ 449,221</u>	<u>\$ 434,973</u>	<u>\$ 477,459</u>	<u>\$ 42,486</u>

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended March 31, 2020

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
State grants	\$ 100,000	\$ 100,000	\$ 102,948	\$ 2,948
Interest	<u>500</u>	<u>500</u>	<u>1,298</u>	<u>798</u>
Total revenues	<u>100,500</u>	<u>100,500</u>	<u>104,246</u>	<u>\$ 3,746</u>
EXPENDITURES				
Public works:				
Administration	5,875	8,193	8,385	(192)
Sidewalks	6,236	6,236	1,667	4,569
Traffic services	5,425	5,425	3,899	1,526
Routine maintenance	49,247	49,247	24,010	25,237
Winter maintenance	<u>10,430</u>	<u>10,430</u>	<u>5,555</u>	<u>4,875</u>
Total expenditures	<u>77,213</u>	<u>79,531</u>	<u>43,516</u>	<u>36,015</u>
NET CHANGES IN FUND BALANCES	23,287	20,969	60,730	39,761
FUND BALANCES - BEGINNING	<u>132,882</u>	<u>132,882</u>	<u>132,882</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 156,169</u>	<u>\$ 153,851</u>	<u>\$ 193,612</u>	<u>39,761</u>

BUDGETARY COMPARISON SCHEDULE - Local Street Fund

Year ended March 31, 2020

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
State grants	\$ 43,000	\$ 43,000	\$ 35,778	\$ (7,222)
Interest	<u>200</u>	<u>200</u>	<u>485</u>	<u>285</u>
Total revenues	<u>43,200</u>	<u>43,200</u>	<u>36,263</u>	<u>\$ (6,937)</u>
EXPENDITURES				
Public works:				
Administration	1,675	1,675	1,304	371
Sidewalks	2,541	2,541	549	1,992
Traffic services	2,147	2,147	1,789	358
Routine maintenance	27,922	27,922	17,533	10,389
Winter maintenance	<u>11,806</u>	<u>11,806</u>	<u>5,333</u>	<u>6,473</u>
Total expenditures	<u>46,091</u>	<u>46,091</u>	<u>26,508</u>	<u>19,583</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,891)	(2,891)	9,755	12,646
OTHER FINANCING SOURCES				
Transfers in	<u>6,500</u>	<u>6,500</u>	<u>6,500</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	3,609	3,609	16,255	12,646
FUND BALANCES - BEGINNING	<u>46,625</u>	<u>46,625</u>	<u>46,625</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 50,234</u>	<u>\$ 50,234</u>	<u>\$ 62,880</u>	<u>12,646</u>

SUPPLEMENTARY INFORMATION

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Village of Edwardsburg**SCHEDULE OF DEBT SERVICE REQUIREMENTS***March 31, 2020*

Governmental fund - Sanitary Sewer Special Assessment Fund

\$2,700,000 2006 4.125% Contract payable, Cass County

<i>Year ending March 31,</i>	<i>Interest requirements</i>	<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
2021	\$ 45,701	Sept 1	\$ 40,200	\$ 85,901
2022	44,022	Sept 1	41,200	85,222
2023	42,323	Sept 1	41,200	83,523
2024	40,602	Sept 1	42,200	82,802
2025	38,841	Sept 1	43,200	82,041
2026	37,059	Sept 1	43,200	80,259
2027	35,256	Sept 1	44,200	79,456
2028	33,433	Sept 1	44,200	77,633
2029	31,589	Sept 1	45,200	76,789
2030	29,704	Sept 1	46,200	75,904
2031	27,798	Sept 1	46,200	73,998
2032	25,872	Sept 1	47,200	73,072
2033	23,904	Sept 1	48,200	72,104
2034	21,896	Sept 1	49,200	71,096
2035	19,866	Sept 1	49,200	69,066
2036	17,816	Sept 1	50,200	68,016
2037	15,725	Sept 1	51,200	66,925
2038	13,592	Sept 1	52,200	65,792
2039	11,418	Sept 1	53,200	64,618
2040	9,203	Sept 1	54,200	63,403
2041	6,947	Sept 1	55,200	62,147
2042	4,649	Sept 1	56,200	60,849
2043	2,310	Sept 1	57,200	59,510
2044	565	Sept 1	34,600	35,165
	<u>\$ 580,091</u>		<u>\$ 1,135,200</u>	<u>\$ 1,715,291</u>

SCHEDULE OF DEBT SERVICE REQUIREMENTS

March 31, 2020

Governmental fund - General Fund

\$170,775 2018 1.800% Installment Purchase Agreement

<i>Year ending March 31,</i>	<i>Monthly interest</i>	<i>Maturity date</i>	<i>Monthly principal</i>	<i>Total requirements</i>
2021	\$ 2,056	N/A	\$ 33,632	\$ 35,688
2022	1,445	N/A	34,297	35,742
2023	822	N/A	34,919	35,741
2024	201	N/A	26,605	26,806
	<u>\$ 4,524</u>		<u>\$ 129,453</u>	<u>\$ 133,977</u>

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