

*Village of Paw Paw*  
*Van Buren County, Michigan*  
**FINANCIAL STATEMENTS**  
*Year ended February 29, 2024*

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Draft

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2425 E. Grand River Ave.,  
Suite 1, Lansing, MI 48912  
☎ 517.323.7500  
📠 517.323.6346

## INDEPENDENT AUDITOR'S REPORT

Village Council  
Village of Paw Paw, Michigan

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Paw Paw (the Village), as of and for the year ended February 29, 2024, and the related notes to the financial statements, which collectively comprise the Village of Paw Paw's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Paw Paw, as of February 29, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and historical pension supplementary information, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Paw Paw's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other supplementary information, as identified in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2024, on our consideration of the Village of Paw Paw's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

August 23, 2024

Draft

Our discussion and analysis of the Village of Paw Paw's (the Village) financial performance provides a narrative overview of the Village's financial activities for the fiscal year ended February 29, 2024. Please read it in conjunction with the Village's financial statements.

### **FINANCIAL HIGHLIGHTS**

- The Village's total net position increased by \$5,337,793 as a result of this year's activities. The net position of the governmental activities increased by \$202,331, and the net position of the business-type activities increased by \$5,135,462.
- Of the \$35,154,877 total net position reported, \$7,721,542 (22 percent) is available to be used at the Council's discretion, 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 \$1,273,475, which represents 80 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 other supplementary information that presents additional information. The basic financial statements include three 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 government services, like general government 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, such as the sewer, water and electrical systems.
  - Fiduciary funds statements provide information about the financial relationships in which the Village acts solely as a custodian for the benefit of others to whom the resources in question belong.

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 2024 and 2023 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, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the Village's net position and how it has changed. Net position (the difference between the Village's assets and deferred outflows of resources and liabilities and deferred inflows of resources) 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 three categories:

- *Governmental activities* - Most of the Village's basic services are included here, such as police protection and general government. Property taxes and state shared revenue 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 sewer and water systems and electric operations are reported here.
- *Component unit* - The Village includes another entity in its report - the Downtown Development Authority. Although legally separate, this "component unit" is important because the Village is financially accountable for it.

### Fund financial statements

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

- Some funds are required by state law.
- The Village Council establishes other funds to control and manage money for particular purposes (like street maintenance) or to show that it is properly using certain taxes and other revenues (like state grants collected for the street funds).

The Village has three 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 Equipment Rental Fund.
- *Fiduciary funds*. These funds are used to account for the collection and disbursement of resources, for the benefit of parties outside the Village. The Village is responsible for ensuring that the assets reported in the fiduciary funds are used for their intended purposes. The Village's fiduciary balances and activities are reported in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. We exclude these activities from the Village's government-wide financial statements because the Village cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$35,154,877. Of this total, \$23,278,892 represents a net investment in capital assets and \$4,154,443 is restricted. Consequently, unrestricted net position was \$7,721,542, or 22 percent of the total.

Condensed financial information  
Net position

	Governmental activities		Business-type activities		Totals	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 6,729,395	\$ 6,192,670	\$ 10,681,756	\$ 8,561,877	\$ 17,411,151	\$ 14,754,547
Capital assets	6,099,680	6,354,941	24,106,345	17,627,465	30,206,025	23,982,406
Total assets	12,829,075	12,547,611	34,788,101	26,189,342	47,617,176	38,736,953
Deferred outflows of resources	453,179	876,967	247,863	442,783	701,042	1,319,750
Current and other liabilities	3,332,972	3,673,824	2,900,248	2,699,492	6,233,220	6,373,316
Long-term debt	-	-	6,927,133	3,857,675	6,927,133	3,857,675
Total liabilities	3,332,972	3,673,824	9,827,381	6,557,167	13,160,353	10,230,991
Deferred inflows of resources	1,931	5,734	1,057	2,894	2,988	8,628
Net position:						
Net investment in capital assets	6,099,680	6,354,941	17,179,212	10,938,298	23,278,892	17,293,239
Restricted	4,154,443	3,821,489	-	-	4,154,443	3,821,489
Unrestricted	(306,772)	(431,410)	8,028,314	9,133,766	7,721,542	8,702,356
Total net position	\$ 9,947,351	\$ 9,745,020	\$ 25,207,526	\$ 20,072,064	\$ 35,154,877	\$ 29,817,084

As noted in Note 14, the 2023 column of Business-type activities long-term debt was reduced by \$2,831,492, as well as unrestricted net position was increased by \$2,831,492 due to over statement of liabilities related to forgiven loans.

Changes in net position

The Village's total revenues were \$14,967,480 in 2024 compared to \$14,046,860 in 2023. Property taxes account for 11 percent of the revenues, and another 55 percent of the Village's revenues comes from charges for services. State shared revenue accounts for only 3 percent of the Village's revenues. Approximately 29 percent of the total revenues came from operating and capital grants and contributions in the current year.

The total cost of the Village's programs for 2024, covering a wide range of services, totaled \$9,629,687 compared to \$10,685,447 in 2023. Approximately 67 percent of the Village's total expenses relates to the provision of utility services. Public safety (police and fire protection) costs represent 17 percent of total costs, and public works costs represent another 9 percent of the total expenses.

Condensed financial information  
Changes in net position

	Governmental activities		Business-type activities		Totals	
	2024	2023	2024	2023	2024	2023
Program revenues:						
Charges for services	\$ 304,344	\$ 237,647	\$ 7,995,178	\$ 7,951,612	\$ 8,299,522	\$ 8,189,259
Grants and contributions:						
Operating	816,637	941,390	-	-	816,637	941,390
Capital	74,926	48,118	3,512,821	2,831,492	3,587,747	2,879,610
General revenues:						
Property taxes	1,590,541	1,441,840	-	-	1,590,541	1,441,840
State shared revenue	440,255	440,282	-	-	440,255	440,282
Local community stabilization share	76,287	37,481	-	-	76,287	37,481
Franchise fees	36,371	39,462	-	-	36,371	39,462
Other	40,634	48,046	79,486	29,490	120,120	77,536
Total revenues	<u>3,379,995</u>	<u>3,234,266</u>	<u>11,587,485</u>	<u>10,812,594</u>	<u>14,967,480</u>	<u>14,046,860</u>
Expenses:						
General government	172,663	48,354	-	-	172,663	48,354
Public safety	1,612,634	1,584,950	-	-	1,612,634	1,584,950
Public works	860,964	1,022,403	-	-	860,964	1,022,403
Recreation and culture	504,708	385,837	-	-	504,708	385,837
Community and economic development	26,695	14,209	-	-	26,695	14,209
Sewer	-	-	1,283,652	1,367,473	1,283,652	1,367,473
Water	-	-	802,112	1,050,220	802,112	1,050,220
Electric	-	-	4,366,259	5,212,001	4,366,259	5,212,001
Total expenses	<u>3,177,664</u>	<u>3,055,753</u>	<u>6,452,023</u>	<u>7,629,694</u>	<u>9,629,687</u>	<u>10,685,447</u>
Transfers	-	300,000	-	(300,000)	-	-
Changes in net position	<u>\$ 202,331</u>	<u>\$ 478,513</u>	<u>\$ 5,135,462</u>	<u>\$ 2,882,900</u>	<u>\$ 5,337,793</u>	<u>\$ 3,361,413</u>
Net position, end of year	<u>\$ 9,947,351</u>	<u>\$ 9,745,020</u>	<u>\$ 25,207,526</u>	<u>\$ 20,072,064</u>	<u>\$ 35,154,877</u>	<u>\$ 29,817,084</u>

As noted in Note 14, the 2023 column of Business-type activities capital grants were increased by \$2,831,492, as well as net position was increased by \$2,831,492 due to over statement of liabilities related to forgiven loans in the prior year.

**Governmental activities**

Governmental activities increased the Village's net position by \$202,331 in the current year compared to an increase of \$478,513 in the prior year. Revenues decreased by \$145,729 and expenses increased by \$121,911 in the current year, which caused the smaller increase in net position.

The following schedule shows the costs of the Village's three largest programs, as well as the net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the burden that was placed on the Village's taxpayers by each of these functions. The total cost of all governmental activities was \$3,177,664. However, the amount that our taxpayers paid for these activities through general revenues was \$1,981,757. Program costs were paid by:

- Those who directly benefited from the programs (\$304,344), or
- Other governments provided support for operating and capital costs (\$891,563)

<u>Function</u>	<u>Total cost of services</u>	<u>Net cost of services</u>
Public safety	\$ 1,612,634	\$ 1,224,762
General government	172,663	147,480
Public works	860,964	323,904
Other	<u>531,403</u>	<u>285,611</u>
Totals	<u>\$ 3,177,664</u>	<u>\$ 1,981,757</u>

**Business-type activities**

Business-type activities increased the Village's net position by \$5,135,462 in the current year compared to an increase of \$2,882,900 in the prior year. Net position increased in the current year, as revenues increased by \$774,891 mainly due to increased state grants and expenses decreased by \$1,177,671. The decrease in expenses was primarily due to a decrease in net pension liability.

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

**Governmental funds**

As of February 29, 2024, the Village's governmental funds reported combined ending fund balances of \$5,440,598, an increase of \$659,038 compared to last year's balances.

The General Fund is the primary operating fund of the Village. At the end of the fiscal year, the total fund balance was \$1,308,342. Fund balance increased by \$135,736 during the current year, as revenues of \$1,725,404 were more than sufficient to fund expenditures in the amounts \$1,589,668.

The Municipal Street Fund experienced an increase in fund balance of \$344,517 as revenues of \$471,289, were sufficient to cover expenditures of \$126,772 in the current year. Fund balance was \$1,201,586 at year end.

The Major Street Fund experienced an increase in fund balance of \$213,196 as revenues of \$369,605 were sufficient to cover expenditures of \$156,409 in the current year. Fund balance was \$1,591,292 at year end.

**Proprietary funds**

The Sewer Fund experienced an operating gain of \$63,701, but its net position increased by \$1,151,344 because nonoperating revenues (\$23,758) and capital grants (\$1,185,000) less interest expense (\$121,115) was recognized in the current year. Unrestricted net position was \$1,528,127 at year end.

The Water Fund experienced an operating gain of \$241,015, and its net position increased by \$2,573,441 because nonoperating revenues (\$4,605) and capital grants (\$2,327,821) were recognized in the current year. The Water Fund typically experiences an operating gain because commodity charges cover all operating expenses, including depreciation, which amounted to \$233,665 in the current year. Unrestricted net position was \$243,883 at year end.

The Electric Fund experienced an operating gain of \$1,338,796, as operating revenues were sufficient to cover all operating expenses, including depreciation, in the amount of \$73,987. The fund's net position increased by \$1,389,919. Unrestricted net position was \$6,230,936 at year end.

**General Fund budgetary highlights**

The Village amended both the revenue and expenditure portions of the General Fund budget to reflect anticipated changes in the nature and extent of revenues and expenditures. Total expenditures were decreased by a net amount of \$349,947 during the year to reflect revised expectations for a variety of expenditure categories, mainly public safety \$336,710.

Actual revenues were \$173,458 less than budgeted, primarily because property tax revenues were \$224,280 less than expected.

Actual expenditures were \$37,200 more than amounts appropriated as all functions were more than expected.

These variances resulted in a \$210,658 negative budget variance, as the fund balance increased by \$135,736 compared to a budgeted increase of \$346,394.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets**

The Village's investment in capital assets for its governmental and business-type activities as of February 29, 2024, amounts to \$30,206,025 (net of accumulated depreciation). This investment includes a broad range of assets, including land, buildings, sewer, water and electric facilities, streets, and equipment.

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
Infrastructure	\$ 4,603,093	\$ 14,757,986	\$ 19,361,079
Land	60,222	464,076	524,298
Construction in progress	206,536	7,962,757	8,169,293
Land improvements	-	606,443	606,443
Buildings and improvements	479,259	231,188	710,447
Vehicles and equipment	750,570	83,895	834,465
<b>Totals</b>	<b>\$ 6,099,680</b>	<b>\$ 24,106,345</b>	<b>\$ 30,206,025</b>

Major capital asset events during the current fiscal year included the following:

- Infrastructure improvements, related to the governmental activities, were made at a cost of \$129,505
- Two new vehicles purchased for \$100,081
- Sewer and Water improvements project totaling \$7,045,588

More detailed information about the Village's capital assets is presented in Note 4 of the notes to the basic financial statements.

**Debt**

At the end of the fiscal year, the Village had bonds payable outstanding, in the amount of \$6,927,133, which represents an increase of \$3,069,458, with \$3,154,458 in loan draws and \$85,000 in timely principal payments. All debt is backed by the full faith and credit of the Village or specific revenue streams.

Other noncurrent liabilities include a net pension liability (\$3,935,572) and accrued compensated absences (\$169,003).

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

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Village expects to be able to use current revenues to provide essential services that will allow current fund balances to be maintained. The ongoing costs of providing essential services for the citizens of the Village will need to be closely monitored in order to maintain the financial condition and operational capabilities of the Village.

**CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT**

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. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Bryan Myrkle, Village Manager  
Village of Paw Paw  
111 E. Michigan Ave  
Paw Paw, MI 49079

Phone: (269)657-3148

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**BASIC FINANCIAL STATEMENTS**

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## STATEMENT OF NET POSITION

February 29, 2024

	Primary government			Component unit
	Governmental activities	Business-type activities	Totals	Downtown Development Authority
<b>ASSETS</b>				
Current assets:				
Cash	\$ 6,198,421	\$ 8,383,524	\$ 14,581,945	\$ 320,801
Receivables	384,144	1,379,038	1,763,182	328,582
Loan draw receivable	-	807,098	807,098	-
Prepaid expenses	20,870	43,143	64,013	2,098
Inventory	-	43,585	43,585	-
Internal balances	(25,368)	25,368	-	-
Total current assets	6,578,067	10,681,756	17,259,823	651,481
Noncurrent assets:				
Equity in joint venture	151,328	-	151,328	-
Capital assets not being depreciated	266,758	8,426,833	8,693,591	-
Capital assets being depreciated, net	5,832,922	15,679,512	21,512,434	115,322
Total noncurrent assets	6,251,008	24,106,345	30,357,353	115,322
Total assets	12,829,075	34,788,101	47,617,176	766,803
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amounts - pension	453,179	247,863	701,042	17,607
<b>LIABILITIES</b>				
Current liabilities:				
Payables	107,401	1,466,863	1,574,264	2,786
Unearned revenue	653,357	-	653,357	-
Bonds payable due within one year	-	90,000	90,000	-
Total current liabilities	760,758	1,556,863	2,317,621	2,786
Noncurrent liabilities:				
Compensated absences	90,441	76,006	166,447	2,556
Net pension liability	2,481,773	1,357,379	3,839,152	96,420
Bonds payable	-	6,837,133	6,837,133	-
Total noncurrent liabilities	2,572,214	8,270,518	10,842,732	98,976
Total liabilities	3,332,972	9,827,381	13,160,353	101,762
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred amounts - pension	1,931	1,057	2,988	75
<b>NET POSITION</b>				
Net investment in capital assets	6,099,680	17,179,212	23,278,892	-
Restricted	4,154,443	-	4,154,443	-
Unrestricted	(306,772)	8,028,314	7,721,542	682,573
Total net position	\$ 9,947,351	\$ 25,207,526	\$ 35,154,877	\$ 682,573

See notes to financial statements

**STATEMENT OF ACTIVITIES**

Year ended February 29, 2024

Functions/Programs	Program revenues				Net (expenses) revenues and changes in net position			Component unit Downtown Development Authority
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government		Totals	
					Governmental activities	Business-type activities		
Governmental activities:								
General government	\$ 172,663	\$ 25,183	\$ -	\$ -	\$ (147,480)		\$ (147,480)	
Public safety	1,612,634	84,422	303,450	-	(1,224,762)		(1,224,762)	
Public works	860,964	35,623	501,437	-	(323,904)		(323,904)	
Recreation and culture	504,708	159,116	11,750	74,926	(258,916)		(258,916)	
Community and economic development	26,695	-	-	-	(26,695)		(26,695)	
Total governmental activities	<u>3,177,664</u>	<u>304,344</u>	<u>816,637</u>	<u>74,926</u>	<u>(1,981,757)</u>		<u>(1,981,757)</u>	
Business-type activities:								
Sewer	1,283,652	1,236,875	-	1,185,000		\$ 1,138,223	1,138,223	
Water	802,112	1,051,921	-	2,327,821		2,577,630	2,577,630	
Electric	4,366,259	5,706,382	-	-		1,340,123	1,340,123	
Total business-type activities	<u>6,452,023</u>	<u>7,995,178</u>	<u>-</u>	<u>3,512,821</u>		<u>5,055,976</u>	<u>5,055,976</u>	
Total primary government	<u>\$ 9,629,687</u>	<u>\$ 8,299,522</u>	<u>\$ 816,637</u>	<u>\$ 3,587,747</u>	<u>(1,981,757)</u>	<u>5,055,976</u>	<u>3,074,219</u>	
Component unit:								
Downtown Development Authority	<u>\$ 247,177</u>	<u>\$ 13,282</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ (233,895)</u>
General revenues:								
Property taxes					1,590,541	-	1,590,541	321,827
State shared revenue					440,255	-	440,255	-
Local community stabilization share revenue					76,287	-	76,287	-
Franchise fees					36,371	-	36,371	-
Unrestricted interest income					40,634	79,486	120,120	4,087
Total general revenues					<u>2,184,088</u>	<u>79,486</u>	<u>2,263,574</u>	<u>325,914</u>
Changes in net position					202,331	5,135,462	5,337,793	92,019
Net position - beginning (restated)					<u>9,745,020</u>	<u>20,072,064</u>	<u>29,817,084</u>	<u>590,554</u>
Net position - ending					<u>\$ 9,947,351</u>	<u>\$ 25,207,526</u>	<u>\$ 35,154,877</u>	<u>\$ 682,573</u>

See notes to financial statements

	<i>Special revenue fund</i>				<i>Total governmental funds</i>
	<i>General</i>	<i>Municipal Street</i>	<i>Major Street</i>	<i>Nonmajor Funds</i>	
<b>ASSETS</b>					
Cash	\$ 1,476,160	\$ 1,129,838	\$ 1,533,009	\$ 1,648,460	\$ 5,787,467
Accounts receivable	106,727	-	289	-	107,016
Due from other governments	69,091	-	57,633	22,613	149,337
Taxes receivable	32,620	77,046	-	18,125	127,791
Prepaid expenditures	12,680	1,251	1,775	2,298	18,004
<b>Total assets</b>	<u>\$ 1,697,278</u>	<u>\$ 1,208,135</u>	<u>\$ 1,592,706</u>	<u>\$ 1,691,496</u>	<u>\$ 6,189,615</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 23,926	\$ 6,344	\$ 544	\$ 33,520	\$ 64,334
Accrued payroll	26,851	205	870	3,400	31,326
Unearned grants	338,159	-	-	315,198	653,357
<b>Total liabilities</b>	<u>388,936</u>	<u>6,549</u>	<u>1,414</u>	<u>352,118</u>	<u>749,017</u>
<b>Fund balances:</b>					
Nonspendable - prepaids	12,680	1,251	1,775	2,298	18,004
Restricted for:					
Public safety	22,187	-	-	14,821	37,008
Public works	-	1,200,335	1,589,517	1,183,123	3,972,975
Recreation and culture	-	-	-	139,136	139,136
Unassigned	1,273,475	-	-	-	1,273,475
<b>Total fund balances</b>	<u>1,308,342</u>	<u>1,201,586</u>	<u>1,591,292</u>	<u>1,339,378</u>	<u>5,440,598</u>
<b>Total liabilities and fund balance</b>	<u>\$ 1,697,278</u>	<u>\$ 1,208,135</u>	<u>\$ 1,592,706</u>	<u>\$ 1,691,496</u>	<u>\$ 6,189,615</u>
<b>Reconciliation of the balance sheet to the statement of net position:</b>					
Total fund balance - total governmental funds					\$ 5,440,598
Amounts reported for <i>governmental activities</i> in the statement of net position (page 14) are different because:					
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.					
					5,495,019
Equity interests in joint ventures are not financial resources, and therefore, are not reported in the funds					
					151,328
Deferred outflows of resources and deferred inflows of resources, related to the pension and unavailable grant revenue, relate to future years, and are not reported in the funds:					
Deferred outflows of resources - pension					447,142
Deferred inflows of resources - pension					(1,906)
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds:					
Compensated absences					(88,429)
Net pension liability					(2,448,714)
Certain assets and liabilities of the internal service fund are included in <i>governmental activities</i> in the statement of net position.					
					<u>952,313</u>
<b>Net position of <i>governmental activities</i></b>					<u>\$ 9,947,351</u>

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

Year ended February 29, 2024

	<u>General</u>	<u>Special revenue fund</u>		<u>Nonmajor Funds</u>	<u>Total governmental funds</u>
		<u>Municipal Street</u>	<u>Major Street</u>		
<b>REVENUES</b>					
Property taxes	\$ 1,018,033	\$ 435,648	\$ -	\$ 136,860	\$ 1,590,541
Licenses and permits	108,492	-	-	-	108,492
Federal grants	-	-	-	15,570	15,570
State grants	519,672	26,019	354,980	209,973	1,110,644
Local grants	-	-	-	11,750	11,750
Charges for services	16,949	-	-	66,283	83,232
Fines and forfeitures	12,301	-	-	-	12,301
Interest and rentals	27,189	9,622	14,395	20,925	72,131
Other	22,768	-	230	348,495	371,493
	<u>1,725,404</u>	<u>471,289</u>	<u>369,605</u>	<u>809,856</u>	<u>3,376,154</u>
<b>EXPENDITURES</b>					
Current:					
General government	163,314	-	-	-	163,314
Public safety	1,113,522	-	-	266,803	1,380,325
Public works	231,988	126,772	156,409	125,851	641,020
Recreation and culture	-	-	-	451,613	451,613
Community and economic development	26,708	-	-	-	26,708
Capital outlay	54,136	-	-	-	54,136
	<u>1,589,668</u>	<u>126,772</u>	<u>156,409</u>	<u>844,267</u>	<u>2,717,116</u>
<b>CHANGES IN FUND BALANCES</b>	135,736	344,517	213,196	(34,411)	659,038
<b>FUND BALANCES - BEGINNING</b>	<u>1,172,606</u>	<u>857,069</u>	<u>1,378,096</u>	<u>1,373,789</u>	<u>4,781,560</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,308,342</u>	<u>\$ 1,201,586</u>	<u>\$ 1,591,292</u>	<u>\$ 1,339,378</u>	<u>\$ 5,440,598</u>

Village of Paw Paw

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

Year ended February 29, 2024

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

Change in fund balance - total governmental funds (page 17)	\$ 659,038
Amounts reported for <i>governmental activities</i> in the statement of activities (page 15) are different because:	
Capital assets:	
Add - assets acquired	207,161
Deduct - provision for depreciation	(418,088)
Changes in other assets/liabilities:	
Net decrease in compensated absences	7,933
Net decrease in net pension liability	66,317
Equity interest in Paw Paw Fire department	(15,913)
Changes in deferred outflows and deferred inflows of resources:	
Net decrease in deferred outflows of resources - pension	(362,807)
Net decrease in deferred inflows of resources - pension	3,390
A portion of the net revenues of the internal service fund is reported with governmental activities.	<u>55,300</u>
Change in net position of <i>governmental activities</i>	<u>\$ 202,331</u>

Draft

**STATEMENT OF NET POSITION - proprietary funds**

February 29, 2024

	<i>Business-type activities</i>				<i>Governmental activities</i>
	<i>Enterprise funds</i>				<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Electric</i>	<i>Totals</i>	
<b>ASSETS</b>					
Current assets:					
Cash	\$ 1,920,220	\$ 754,542	\$ 5,708,762	\$ 8,383,524	\$ 410,954
Receivables	254,890	165,634	958,514	1,379,038	-
Loan draw receivable	540,201	266,897	-	807,098	-
Prepaid expenses	7,361	6,384	29,398	43,143	2,866
Inventory	-	7,693	35,892	43,585	-
Total current assets	<u>2,722,672</u>	<u>1,201,150</u>	<u>6,732,566</u>	<u>10,656,388</u>	<u>413,820</u>
Noncurrent assets:					
Capital assets not being depreciated	5,245,367	3,073,166	108,300	8,426,833	-
Capital assets being depreciated, net	<u>7,481,438</u>	<u>7,541,463</u>	<u>656,611</u>	<u>15,679,512</u>	<u>604,661</u>
Total noncurrent assets	<u>12,726,805</u>	<u>10,614,629</u>	<u>764,911</u>	<u>24,106,345</u>	<u>604,661</u>
Total assets	<u>15,449,477</u>	<u>11,815,779</u>	<u>7,497,477</u>	<u>34,762,733</u>	<u>1,018,481</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred amounts - pension	<u>131,514</u>	<u>78,261</u>	<u>38,088</u>	<u>247,863</u>	<u>6,037</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payables	560,898	570,656	280,763	1,412,317	6,874
Accrued payroll	9,906	9,466	4,812	24,184	4,867
Due to other governments	-	-	30,362	30,362	-
Bonds payable due within one year	<u>90,000</u>	<u>-</u>	<u>-</u>	<u>90,000</u>	<u>-</u>
Total current liabilities	<u>660,804</u>	<u>580,122</u>	<u>315,937</u>	<u>1,556,863</u>	<u>11,741</u>
Noncurrent liabilities:					
Compensated absences	34,485	26,488	15,033	76,006	2,012
Net pension liability	720,210	428,584	208,585	1,357,379	33,059
Bonds payable	<u>6,837,133</u>	<u>-</u>	<u>-</u>	<u>6,837,133</u>	<u>-</u>
Total noncurrent liabilities	<u>7,591,828</u>	<u>455,072</u>	<u>223,618</u>	<u>8,270,518</u>	<u>35,071</u>
Total liabilities	<u>8,252,632</u>	<u>1,035,194</u>	<u>539,555</u>	<u>9,827,381</u>	<u>46,812</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred amounts - pension	<u>560</u>	<u>334</u>	<u>163</u>	<u>1,057</u>	<u>25</u>
<b>NET POSITION</b>					
Net investment in capital assets	5,799,672	10,614,629	764,911	17,179,212	604,661
Unrestricted	<u>1,528,127</u>	<u>243,883</u>	<u>6,230,936</u>	<u>8,002,946</u>	<u>373,020</u>
Total net position	<u>\$ 7,327,799</u>	<u>\$ 10,858,512</u>	<u>\$ 6,995,847</u>	25,182,158	<u>\$ 977,681</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>25,368</u>	
Net position of <i>business-type activities</i> (page 14)				<u>\$ 25,207,526</u>	

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

Year ended February 29, 2024

	<i>Business-type activities</i>				<i>Governmental activities</i>
	<i>Enterprise funds</i>				<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Electric</i>	<i>Totals</i>	
<b>OPERATING REVENUES</b>					
Charges for services:					
Utility commodity charges	\$ 1,161,695	\$ 1,008,952	\$ 5,639,468	\$ 7,810,115	\$ -
Rentals	-	-	-	-	306,853
Other	75,180	42,969	66,914	185,063	2,342
Total operating revenues	<u>1,236,875</u>	<u>1,051,921</u>	<u>5,706,382</u>	<u>7,995,178</u>	<u>309,195</u>
<b>OPERATING EXPENSES</b>					
Personnel costs	610,586	375,446	304,009	1,290,041	-
Supplies	45,744	77,631	26,881	150,256	61,880
Contracted services	55,478	40,382	566,789	662,649	12,842
Purchase power	-	-	3,277,693	3,277,693	-
Other	156,975	83,782	118,227	358,984	39,526
Depreciation	304,391	233,665	73,987	612,043	122,730
Total operating expenses	<u>1,173,174</u>	<u>810,906</u>	<u>4,367,586</u>	<u>6,351,666</u>	<u>236,978</u>
<b>OPERATING INCOME</b>	<u>63,701</u>	<u>241,015</u>	<u>1,338,796</u>	<u>1,643,512</u>	<u>72,217</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest revenue	23,758	4,605	51,123	79,486	3,841
Interest expense and fees	(121,115)	-	-	(121,115)	-
Net nonoperating revenues (expenses)	<u>(97,357)</u>	<u>4,605</u>	<u>51,123</u>	<u>(41,629)</u>	<u>3,841</u>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS</b>	<u>(33,656)</u>	<u>245,620</u>	<u>1,389,919</u>	<u>1,601,883</u>	<u>76,058</u>
<b>CAPITAL CONTRIBUTIONS</b>					
State grant	1,185,000	2,327,821	-	3,512,821	-
<b>CHANGES IN NET POSITION</b>	1,151,344	2,573,441	1,389,919	5,114,704	76,058
<b>NET POSITION - BEGINNING (RESTATED)</b>	<u>6,176,455</u>	<u>8,285,071</u>	<u>5,605,928</u>	<u>20,067,454</u>	<u>901,623</u>
<b>NET POSITION - ENDING</b>	<u>\$ 7,327,799</u>	<u>\$ 10,858,512</u>	<u>\$ 6,995,847</u>	<u>\$ 25,182,158</u>	<u>\$ 977,681</u>
Change in net position				\$ 5,114,704	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>20,758</u>	
Change in net position of <i>business-type activities</i> (page 15)				<u>\$ 5,135,462</u>	

**STATEMENT OF CASH FLOWS - proprietary funds**

Year ended February 29, 2024

	<i>Business-type activities</i>				<i>Governmental activities</i>
	<i>Enterprise funds</i>				<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Electric</i>	<i>Totals</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 1,217,289	\$ 1,033,980	\$ 5,676,040	\$ 7,927,309	\$ -
Receipts from interfund services	-	-	-	-	309,195
Payments to vendors and suppliers	(388,789)	(301,527)	(4,243,612)	(4,933,928)	(151,733)
Payments to employees	(291,479)	(267,161)	(161,112)	(719,752)	(74,775)
Net cash provided by operating activities	<u>537,021</u>	<u>465,292</u>	<u>1,271,316</u>	<u>2,273,629</u>	<u>82,687</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Increase/decrease in due to due from	-	(1,797,550)	1,797,550	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from capital debt	3,415,682	-	-	3,415,682	-
Capital grant	1,185,000	4,892,416	-	6,077,416	-
Acquisition of capital assets	(3,683,237)	(2,278,621)	(38,717)	(6,000,575)	(78,396)
Decrease in payables	(278,724)	(531,600)	-	(810,324)	-
Principal payments on capital debt	(85,000)	-	-	(85,000)	-
Interest payments on capital debt	(121,115)	-	-	(121,115)	-
Net cash provided by (used in) capital and related financing activities	<u>432,606</u>	<u>2,082,195</u>	<u>(38,717)</u>	<u>2,476,084</u>	<u>(78,396)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	<u>23,758</u>	<u>4,605</u>	<u>51,123</u>	<u>79,486</u>	<u>3,841</u>
<b>NET CHANGE IN CASH</b>	<u>993,385</u>	<u>754,542</u>	<u>3,081,272</u>	<u>4,829,199</u>	<u>8,132</u>
<b>CASH - BEGINNING</b>	<u>926,835</u>	<u>-</u>	<u>2,627,490</u>	<u>3,554,325</u>	<u>402,822</u>
<b>CASH - ENDING</b>	<u>\$ 1,920,220</u>	<u>\$ 754,542</u>	<u>\$ 5,708,762</u>	<u>\$ 8,383,524</u>	<u>\$ 410,954</u>

See notes to financial statements

**STATEMENT OF CASH FLOWS - proprietary funds**

Year ended February 29, 2024

	<i>Business-type activities</i>				<i>Governmental activities</i>
	<i>Enterprise funds</i>				<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Electric</i>	<i>Totals</i>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 1,217,289	\$ 1,033,980	\$ 5,676,040	\$ 7,927,309	\$ -
Receipts from interfund services	-	-	-	-	309,195
Payments to vendors and suppliers	(388,789)	(301,527)	(4,243,612)	(4,933,928)	(151,733)
Payments to employees	(291,479)	(267,161)	(161,112)	(719,752)	(74,775)
Net cash provided by operating activities	<u>537,021</u>	<u>465,292</u>	<u>1,271,316</u>	<u>2,273,629</u>	<u>82,687</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Increase/decrease in due to due from	<u>-</u>	<u>(1,797,550)</u>	<u>1,797,550</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from capital debt	3,415,682	-	-	3,415,682	-
Capital grant	1,185,000	4,892,416	-	6,077,416	-
Acquisition of capital assets	(3,683,237)	(2,278,621)	(38,717)	(6,000,575)	(78,396)
Decrease in payables	(278,724)	(531,600)	-	(810,324)	-
Principal payments on capital debt	(85,000)	-	-	(85,000)	-
Interest payments on capital debt	(121,115)	-	-	(121,115)	-
Net cash provided by (used in) capital and related financing activities	<u>432,606</u>	<u>2,082,195</u>	<u>(38,717)</u>	<u>2,476,084</u>	<u>(78,396)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	<u>23,758</u>	<u>4,605</u>	<u>51,123</u>	<u>79,486</u>	<u>3,841</u>
<b>NET CHANGE IN CASH</b>	<u>993,385</u>	<u>754,542</u>	<u>3,081,272</u>	<u>4,829,199</u>	<u>8,132</u>
<b>CASH - BEGINNING</b>	<u>926,835</u>	<u>-</u>	<u>2,627,490</u>	<u>3,554,325</u>	<u>402,822</u>
<b>CASH - ENDING</b>	<u>\$ 1,920,220</u>	<u>\$ 754,542</u>	<u>\$ 5,708,762</u>	<u>\$ 8,383,524</u>	<u>\$ 410,954</u>

See notes to financial statements

**STATEMENT OF CASH FLOWS - proprietary funds (Continued)**

Year ended February 28, 2024

	<i>Business-type activities</i>				<i>Governmental activities</i>
	<i>Enterprise funds</i>				<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Electric</i>	<i>Totals</i>	
<b>Reconciliation of operating income to net cash provided by operating activities</b>					
Operating income	\$ 63,701	\$ 241,015	\$ 1,338,796	\$ 1,643,512	\$ 72,217
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	304,391	233,665	73,987	612,043	122,730
(Increase) decrease in:					
Receivables	(19,586)	(17,941)	(30,342)	(67,869)	-
Prepaid expenses	(1,008)	(1,084)	(25,780)	(27,872)	(450)
Deferred outflows of resources - pension	59,986	82,937	51,997	194,920	60,981
Increase (decrease) in:					
Payables	(1,988)	(5,816)	(71,529)	(79,333)	5,184
Compensated absences	6,646	5,199	5,758	17,603	(2,518)
Net pension liability	125,571	(71,964)	(71,145)	(17,538)	(175,044)
Deferred inflows of resources - pension	(692)	(719)	(426)	(1,837)	(413)
Net cash provided by operating activities	<u>\$ 537,021</u>	<u>\$ 465,292</u>	<u>\$ 1,271,316</u>	<u>\$ 2,273,629</u>	<u>\$ 82,687</u>
<b>Noncash capital and related financing activities</b>					
Increase in capital asset	\$ 4,223,438	\$ 2,828,768	\$ 38,717	\$ 7,090,923	\$ 78,396
Increase in accounts payable	<u>(540,201)</u>	<u>(550,147)</u>	<u>-</u>	<u>(1,090,348)</u>	<u>-</u>
Net cash paid	<u>\$ 3,683,237</u>	<u>\$ 2,278,621</u>	<u>\$ 38,717</u>	<u>\$ 6,000,575</u>	<u>\$ 78,396</u>

**STATEMENT OF FIDUCIARY NET POSITION - Custodial Fund**

February 29, 2024

	<u><i>Custodial</i></u>
<b>ASSETS</b>	
Cash	\$ 13,607
<b>NET POSITION</b>	
Restricted for Individuals	\$ <u>13,607</u>

Draft

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - Custodial Fund**

Year ended February 29, 2024

	<u>Custodial</u>
<b>ADDITIONS</b>	
Collection of fire escrow deposits	\$ 861
<b>DEDUCTIONS</b>	
Payment of fire escrows	<u>-</u>
<b>NET CHANGE IN FIDUCIARY NET POSITION</b>	861
<b>NET POSITION - BEGINNING</b>	<u>12,746</u>
<b>NET POSITION - ENDING</b>	<u>\$ 13,607</u>

Draft

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Village of Paw Paw, 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 the Village (the primary government), located in Van Buren County, and its component unit described below, for which the Village is financially accountable. 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 primary government. Separate financial statements for the Authority have not been issued, as management believes these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component unit.

*Discretely presented component unit - Downtown Development Authority:*

The Authority was established pursuant to Public Act 197 of 1975, as amended, to correct and prevent deterioration and promote economic growth within the downtown district. The Authority is fiscally dependent on the Village because the Village Council appoints the Authority's governing body and approves its budget. The Village is also obligated to provide some of its tax revenues to the Authority, through tax increment financing, which represents a financial burden on the Village.

*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 partially 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. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter is excluded from government-wide financial statements. Major individual governmental funds and major individual proprietary 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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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 have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables 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.

The Municipal Street Fund, a special revenue fund, accounts for property tax revenue that is restricted for expenditures related to maintaining and improving the Village's streets.

The Major Street Fund, a special revenue fund, accounts for state grant revenue that is restricted for expenditures related to maintaining and improving the Village's major streets.

The Village reports the following major proprietary funds:

The Sewer Fund accounts for activities of the Village's sewage collection systems and treatment plant.

The Water Fund accounts for activities of the Village's water distribution system.

The Electric Fund accounts for activities of the Village's electric distribution system.

Additionally, the Village reports the following fund type:

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.

The Village also reports a fiduciary fund, which account for assets held by the Village as an agent for individuals, private organizations, and other governments. The Village currently reports the following fiduciary fund type:

The custodial fund (General Custodial) accounts for the collection and disbursement monies due to other units of government and individuals.

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 property 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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Cash* - Cash is considered to be cash on hand, demand deposits, and 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." 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 uncollectible accounts has been recorded, as the Village considers all receivables to be fully collectible.

*Inventories* - The costs of inventories are recorded as assets when purchased and charged to expenses when used. Inventories, reported in the proprietary funds, are valued at the lower of cost or market. Cost is determined under the first-in, first-out method.

*Prepays* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaids in the government-wide financial statements.

*Capital assets* - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., sewer and water systems, streets, sidewalks, and similar items), are reported in the applicable governmental or business-type activities or component unit column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$5,000 (\$10,000 for infrastructure assets) 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 of governmental activities either retroactively to June 15, 1980, or prospectively. The Village has elected to account for its infrastructure assets prospectively, beginning January 1, 2004.

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

Buildings and improvements	50 years
Equipment	5 - 20 years
Vehicles	5 - 10 years
Infrastructure	20 - 50 years

*Deferred outflows of resources* - The statement of net position and the proprietary funds statement of net position include a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The related expense will not be recognized until a future event occurs. The Village has one item in this category: deferred amounts relating to the defined benefit pension plan. The deferred outflows, related to the defined benefit pension plan, are discussed in Note 7. No deferred outflows of resources affect the governmental funds financial statements.

*Unearned revenue* - Unearned revenue represents resources related to grant revenue, which has not yet been earned.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Compensated absences* - It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the Village. Vested compensated absences are accrued when earned in the government-wide and proprietary funds financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end, if any.

*Pension* - For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan, and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The Village and its defined pension plan do not share the same year-end date. Accordingly, the Village has elected to measure its net pension liability as of the prior December 31.

*Deferred inflows of resources* - The statement of net position and the proprietary funds statement of net position include 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 increase will not be recognized until a future event occurs. The Village has one item in this category: deferred amounts relating to the defined benefit pension plan, are discussed in Note 7.

*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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Net position* - Net position represents the difference between assets and deferred outflows of resources, 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 and deferred outflows of resources 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.

*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. The Village's 2024 ad valorem tax was levied and collectible on July 1, 2024. 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 the Village’s general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

*Excess of expenditures over appropriations* - The following schedule sets forth reportable budget variances:

<u>Fund</u>	<u>Function</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Primary government:				
General	General government	\$ 159,607	\$ 163,314	\$ 3,707
	Public safety	1,101,995	1,113,522	11,527
	Public works	214,355	231,988	17,633
	Community and economic development	23,874	26,708	2,834
	Capital outlay	52,637	54,136	1,499
Major Steet	Public works	155,087	156,409	1,322

**NOTE 3 - CASH**

At February 29, 2024, cash is classified in the accompanying financial statements as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary Fund</u>	<u>Total primary government</u>	<u>Component unit</u>	<u>Totals</u>
Cash	\$ 6,196,674	\$ 8,383,524	\$ 13,607	\$ 14,593,805	\$ 320,801	\$ 14,914,606
Cash on hand	1,747	-	-	1,747	-	1,747
Totals	<u>\$ 6,198,421</u>	<u>\$ 8,383,524</u>	<u>\$ 13,607</u>	<u>\$ 14,595,552</u>	<u>\$ 320,801</u>	<u>\$ 14,916,353</u>

*Deposits* - Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) 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 that have an office in Michigan. 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 February 29, 2024, \$8,057,069 of the Village’s bank balances of \$15,094,677 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Village maintains individual and pooled bank accounts for all of its funds and its component unit. Due to the use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and the component unit.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended February 29, 2024, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land				
Land	\$ 60,222	\$ -	\$ -	\$ 60,222
Construction in progress	<u>133,110</u>	<u>73,426</u>	<u>-</u>	<u>206,536</u>
Subtotal	<u>193,332</u>	<u>73,426</u>	<u>-</u>	<u>266,758</u>
Capital assets being depreciated:				
Buildings	1,921,533	6,175	-	1,927,708
Equipment	787,745	49,796	-	837,541
Vehicles	1,100,594	100,081	-	1,200,675
Infrastructure	<u>6,781,844</u>	<u>56,079</u>	<u>-</u>	<u>6,837,923</u>
Subtotal	<u>10,591,716</u>	<u>212,131</u>	<u>-</u>	<u>10,803,847</u>
Less accumulated depreciation for:				
Buildings	(1,399,185)	(49,264)	-	(1,448,449)
Equipment	(546,108)	(42,420)	-	(588,528)
Vehicles	(597,399)	(101,719)	-	(699,118)
Infrastructure	<u>(1,887,415)</u>	<u>(347,415)</u>	<u>-</u>	<u>(2,234,830)</u>
Subtotal	<u>(4,430,107)</u>	<u>(540,818)</u>	<u>-</u>	<u>(4,970,925)</u>
Total capital assets being depreciated, net	<u>6,161,609</u>	<u>(328,687)</u>	<u>-</u>	<u>5,832,922</u>
Governmental activities capital assets, net	<u>\$ 6,354,941</u>	<u>\$ (255,261)</u>	<u>\$ -</u>	<u>\$ 6,099,680</u>

Depreciation expense was charged to functions of the governmental activities as follows:

Governmental activities:	
General government	\$ 2,466
Public safety	10,634
Public works	361,752
Recreation and culture	43,236
Depreciation on capital assets held by internal service fund	<u>122,730</u>
Total governmental activities	<u>\$ 540,818</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets not being depreciated -				
Land	\$ 464,076	\$ -	\$ -	\$ 464,076
Construction in progress	<u>3,928,243</u>	<u>7,045,588</u>	<u>(3,011,074)</u>	<u>7,962,757</u>
Total capital assets not being depreciated	<u>4,392,319</u>	<u>7,045,588</u>	<u>(3,011,074)</u>	<u>8,426,833</u>
Capital assets being depreciated:				
Sewer system	13,335,659	-	-	13,335,659
Water system	7,659,535	3,011,074	-	10,670,609
Electrical system	3,379,463	38,717	-	3,418,180
Buildings	1,255,723	-	-	1,255,723
Vehicles and equipment	<u>1,461,081</u>	<u>6,618</u>	-	<u>1,467,699</u>
Subtotal	<u>27,091,461</u>	<u>3,056,409</u>	-	<u>30,147,870</u>
Less accumulated depreciation for:				
Sewer system	(5,803,681)	(278,867)	-	(6,082,548)
Water system	(2,938,301)	(227,433)	-	(3,165,734)
Electrical system	(2,747,169)	(64,568)	-	(2,811,737)
Buildings	(999,289)	(25,246)	-	(1,024,535)
Vehicles and equipment	<u>(1,367,875)</u>	<u>(15,929)</u>	-	<u>(1,383,804)</u>
Subtotal	<u>(13,856,315)</u>	<u>(612,043)</u>	-	<u>(14,468,358)</u>
Total capital assets being depreciated, net	<u>13,235,146</u>	<u>2,444,366</u>	-	<u>15,679,512</u>
Business-type activities capital assets, net	<u>\$ 17,627,465</u>	<u>\$ 9,489,954</u>	<u>\$ (3,011,074)</u>	<u>\$ 24,106,345</u>

Depreciation expense was charged to functions of the business-type activities as follows:

Business-type activities:	
Sewer	\$ 304,391
Water	233,665
Electrical	<u>73,987</u>
Business-type activities total	<u>\$ 612,043</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Component unit - Downtown Development Authority:				
Capital assets being depreciated:				
Buildings	\$ 48,465	\$ -	\$ -	\$ 48,465
Equipment	28,212	-	-	28,212
Infrastructure	<u>55,734</u>	<u>67,696</u>	<u>-</u>	<u>123,430</u>
Subtotal	<u>132,411</u>	<u>67,696</u>	<u>-</u>	<u>200,107</u>
Less accumulated depreciation for :				
Buildings	(20,339)	(2,268)	-	(22,607)
Equipment	(20,639)	(1,411)	-	(22,050)
Infrastructure	<u>(37,899)</u>	<u>(2,229)</u>	<u>-</u>	<u>(40,128)</u>
Subtotal	<u>(78,877)</u>	<u>(5,908)</u>	<u>-</u>	<u>(84,785)</u>
Component unit capital assets, net	<u>\$ 53,534</u>	<u>\$ 61,788</u>	<u>\$ -</u>	<u>\$ 115,322</u>

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**NOTE 5 - LONG-TERM OBLIGATIONS**

At February 29, 2024, long-term debt (primary government only) consists of the following individual issues:

Business-type activities:

Bonds:

\$3,456,250 2016 MFA clean water bonds - payable in annual installments ranging from \$85,000 to \$166,250, plus interest of 1.38%; final payment due in October 2047	\$ 2,971,250
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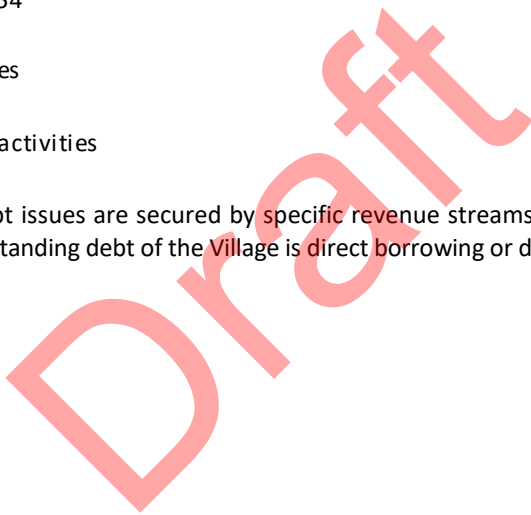
\$1,875,000 2022 CWSRF loan- payable in annual installments ranging from \$45,000 to \$80,000, plus interest of 1.875%; final payment due in October 2054	31,205
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\$4,740,000 2023 WWTP bond- payable in annual installments ranging from \$115,000 to \$215,000, plus interest of 2.150%; final payment due in October 2054	3,924,678
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Accrued compensated absences	<u>76,006</u>
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Total business-type activities	<u>\$ 7,003,139</u>
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All of the business-type activities debt issues are secured by specific revenue streams. All other debt is secured by the full faith and credit of the Village. All outstanding debt of the Village is direct borrowing or direct placement debt.



**NOTE 5 - LONG-TERM OBLIGATIONS (Continued)**

Long-term debt activity for the year ended February 29, 2024, is as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Net change</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Governmental activities:						
Compensated absences	\$ 100,892	\$ -	\$ (10,451)	\$ -	\$ 90,441	\$ -
Business-type activities:						
2016 Sanitary Sewer bonds	\$ 3,056,250	\$ -	\$ -	\$ (85,000)	\$ 2,971,250	\$ 90,000
2022 CWSRF loan	801,425	3,123,253	-	-	3,924,678	-
2023 CWSRF loan	-	31,205	-	-	31,205	-
Total business type bonds	3,857,675	3,154,458	-	(85,000)	6,927,133	90,000
Compensated absences	58,403	-	17,603	-	76,006	-
Total business-type activities	\$ 3,916,078	\$ 3,154,458	\$ 17,603	\$ (85,000)	\$ 7,003,139	\$ 90,000
Component unit:						
Compensated absences	\$ 2,953	\$ -	\$ (397)	\$ -	\$ 2,556	\$ -

At February 29, 2024, debt service requirements, excluding compensated absences, were as follows:

<i>Year ended February 28/29,</i>	<i>Business-type activities</i>	
	<i>Principal</i>	<i>Interest</i>
2025	\$ 90,000	\$ 165,109
2026	236,205	162,634
2027	210,000	157,715
2028	215,000	152,659
2029	220,000	147,496
2030 - 2034	1,190,000	655,256
2035 - 2039	1,335,000	504,738
2040 - 2044	1,515,000	335,156
2045 - 2049	1,526,250	143,160
2050 -2054	389,678	12,623
Totals	\$ 6,927,133	\$ 2,436,546

**NOTE 6 - DEFINED BENEFIT PENSION PLAN**

*Plan description:*

The Village participates in the Municipal Employees’ Retirement System of Michigan (MERS). MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member retirement board. MERS issues a publicly-available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

*Benefits provided:*

The Village’s defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. Retirement benefits for eligible employees are calculated as 2.50% or 1.50% of the employee’s final five-year average compensation times the employee’s years of service. Normal retirement age is 60, with early retirement at a reduced benefit at age 50, with 25 years of service, or age 55 with 15 years of service. Deferred retirement benefits vest after 10 years of credited service but are not paid until the date retirement would have occurred had the member remained an employee. An employee who leaves service may withdraw their contributions, plus any accumulated interest. Benefit terms, within the parameters of MERS, are established and amended by the authority of the Village Council.

*Employees covered by benefit terms:*

At the December 31, 2022, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>26</u>
 Total	 <u><u>74</u></u>

*Contributions:*

The Village is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Covered employees are required to contribute 3% to 8%, depending on division, of their compensation to the plan. For the year ended February 29, 2024, Village contributions ranged from 5.17% to 91.98% of monthly covered payroll. For the year ended February 29, 2024, the Village contributed \$363,780 to the plan, while employees contributed \$124,999.

*Net pension liability:*

The Village’s net pension liability reported at February 29, 2024, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2023. The total pension liability was determined by an annual actuarial valuation as of December 31, 2022

*Actuarial assumptions:*

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.00%	in the long term
Investment rate of return	7.00%	net investment expense, including inflation

**NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)**

This valuation incorporates fully generational mortality. The base mortality tables used are constructed as described below and are based on amount weighted sex distinct rates:

Pre-Retirement Mortality:

- 100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
- 100% of PubG-2010 Employee Mortality Tables for Ages 18-80
- 100% of PubG-2010 Healthy Retiree Tables for Ages 81-120

Non-Disabled retired plan members and beneficiaries:

- 106% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
- 106% of PubG-2010 Employee Mortality Tables for Ages 18-49
- 106% of PubG-2010 Healthy Retiree Tables for Ages 50-120

Disabled retired plan members:

- 100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
- 100% of PubNS-2010 Disabled Retiree Tables for Ages 18-120

Future mortality improvements are assumed each year using scale MP-2019 applied fully generationally from the Pub-2010 base year of 2010.

The actuarial assumptions used in the December 31, 2022, valuation was based on the results of the most recent actuarial experience study.

*Assumption changes:*

There were no changes in assumption during plan year 2022.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following schedule:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>	<u>Expected money-weighted rate of return</u>
Global equity	60.00%	4.50%	2.70%
Global fixed income	20.00%	2.00%	0.40%
Private investments	<u>20.00%</u>	7.00%	1.40%
	<u>100.00%</u>		
Inflation			2.50%
Administrative expenses			<u>0.25%</u>
Investment rate of return			<u>7.25%</u>

**NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)**

*Discount rate:*

The discount rate used to measure the total pension liability is 7.25% for 2022. The projection of cash flows used to determine the discount rate assumes that employer contributions will be made at the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Changes in net pension liability:*

	<i>Increase (decrease)</i>		
	<i>Total pension liability</i> <i>(a)</i>	<i>Plan fiduciary net position</i> <i>(b)</i>	<i>Net pension liability</i> <i>(a) - (b)</i>
Balances at December 31, 2022	\$ 12,372,361	\$ 8,134,021	\$ 4,238,340
Changes for the year:			
Service cost	231,635	-	231,635
Interest	936,056	-	936,056
Differences between expected and actual experience	(4,595)	-	(4,595)
Benefit changes	(13,076)	-	(13,076)
Employer contributions	-	350,421	(350,421)
Employee contributions	-	127,539	(127,539)
Net investment income	-	887,818	(887,818)
Benefit payments, including refunds	(845,879)	(845,879)	-
Administrative expenses	-	(18,856)	18,856
Other changes	(105,866)	-	(105,866)
Net changes	198,275	501,043	(302,768)
Balances at December 31, 2023	\$ 12,570,636	\$ 8,635,064	\$ 3,935,572

*Sensitivity of the net pension liability to changes in the discount rate:*

The following presents the net pension liability of the Village, calculated using the discount rate of 7.25%, as well as what the Village's net pension liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

	<i>1% Decrease</i> <i>(6.25%)</i>	<i>Current rate</i> <i>(7.25%)</i>	<i>1% Increase</i> <i>(8.25%)</i>
Village's net pension liability	\$ 5,315,630	\$ 3,935,572	\$ 2,774,403

**NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)**

*Pension plan fiduciary net position:*

Detailed information about the pension plan’s fiduciary net position is available in the separately issued MERS financial report, which can be found at [www.mersofmich.com](http://www.mersofmich.com). The plan’s fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due. Benefit payments are recognized as an expense when due and payable in accordance with benefit terms.

*Pension expense and deferred outflows of resources related to pensions:*

For the fiscal year ended February 29, 2024, the Village recognized pension expense of \$700,450. At February 29, 2024, the Village reported deferred outflows of resources and deferred inflows of resources, related to pensions, from the following sources:

<i>Source</i>	<i>Deferred outflows of resources</i>	<i>Deferred inflows of resources</i>
Net difference between projected and actual earnings on pension plan investments	\$ 462,580	\$ -
Changes in assumptions	46,181	3,063
Difference between expected and actual experience	<u>139,986</u>	<u>-</u>
Subtotal	<u>\$ 648,747</u>	<u>\$ 3,063</u>
Contributions made after plan year end	<u>69,902</u>	<u>-</u>
Total	<u>\$ 718,649</u>	<u>\$ 3,063</u>

Contributions made after plan year end were paid from January 1, 2024 - February 29, 2024 and therefore are not reported in the following schedule.

Amounts reported as deferred outflows of resources and deferred inflows of resources, related to pensions, will be recognized in pension expense as follows:

<i>Year ended February 28/29,</i>	<i>Deferred outflows of resources</i>	<i>Deferred inflows of resources</i>
2025	\$ 273,945	\$ 1,532
2026	163,428	1,531
2027	273,799	-
2028	<u>(62,425)</u>	<u>-</u>
	<u>\$ 648,747</u>	<u>\$ 3,063</u>

**NOTE 7 - RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and medical claims; injuries to employees; and natural disasters. The risks of loss arising from general liability up to \$5,000,000, building contents, employees' health insurance, workers' compensation, and casualty are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

The Michigan Municipal Liability and Property Pool is self-sustaining through member premiums. The Michigan Municipal Liability and Property Pool provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**NOTE 8 - JOINT VENTURE**

The Village, together with the Townships of Alma, Antwerp, Paw Paw, and Waverly, has established a joint fire department under the provisions of Public Act 33 of 1951 and Public Act 7 of 1967, known as the Paw Paw Fire Department (the Department). The Administrative Board consists of members appointed by each participating unit. The Department was formed to jointly provide fire protection services for the participating units. 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. Complete financial statements for the Department can be obtained from the Treasurer of the Department.

The Village has a one fifth residual equity from the joint venture, which is valued at 20% of the carrying amount of the Department's fire vehicles (\$151,328 as of February 29, 2024).

**NOTE 9 - PROPERTY TAXES**

The 2023 taxable valuation of the Village approximated \$96,915,000, on which ad valorem taxes levied consisted of 10.7703 mills for operating purposes, 4.3078 mills for municipal streets and 1.4917 mills for recreation and culture, raising approximately \$910,000 for operating purposes, \$364,000 for municipal streets and \$126,000 for recreation and culture net of any related captures. These amounts are recognized in the respective fund financial statements as property tax revenue.

**NOTE 10 - TAX ABATEMENTS**

The Village enters into property tax abatement agreements with local businesses for the purpose of attracting or retaining businesses within the Village. Each agreement was negotiated under a state law, which allows local units to abate property taxes for a variety of economic development purposes. The abatements may be granted to local businesses located within the Village or promising to relocate within the Village. Depending on the statute referenced for a particular abatement, the Village may grant abatements of up to 50% of annual property taxes through a direct reduction of the entity's property tax bill or not tax the entity on improvements to a property for a period of time, not to exceed twelve years. Depending on the terms of the agreement and state law, abated taxes may be subject to recapture upon default of the entity. The Village has not made any commitments as part of the agreements other than to reduce taxes. The Village is not subject to any tax abatement agreements entered into by other governmental entities.

**NOTE 11 - CONSTRUCTION CODE ACT**

A summary of construction code enforcement transactions, in accordance with Michigan PA 245 of 1999, for the year ended February 29, 2024, is as follows:

Cumulative excess revenues, beginning of year	<u>\$ 41,011</u>
Revenues	\$ 72,121
Expenses	<u>90,945</u>
Excess of expenses over revenues	<u>\$ (18,824)</u>
Cumulative excess revenues, end of year	<u>\$ 22,187</u>

**NOTE 12 - RESTRICTED NET POSITION**

In the government-wide statement of net position, the governmental activities report restricted net position, in the amount of \$4,154,443, which is restricted by enabling legislation for public works expenditures (\$3,978,299), public safety (\$37,008) and recreation and culture (\$139,136).

**NOTE 13 - CORRECTION OF AN ERROR**

A prior period adjustment has been recorded in fiscal year 2024 to correct errors related to overstating of Bonds payable. Net position and fund balance, as of February 29, 2024, included in the financial statements, represents restated balances, as presented below.

	<u>Water Fund</u>	<u>Business type activities</u>
Net position, beginning of year, as previously reported	\$ 5,453,579	\$ 5,453,579
Overstated bonds payable	<u>2,831,492</u>	<u>2,831,492</u>
Net position, beginning of year, as restated	<u>\$ 8,285,071</u>	<u>\$ 8,285,071</u>

**NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended December 31, 2023, the Township implemented the following new pronouncement: GASB Statement No. 96, Subscription-based Information Technology Arrangements.

**Summary:**

Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-based Information Technology Arrangements, which was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. There was no material impact on the Township's financial statement after the adoption of GASB Statement No. 96.

**NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. This statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024 fiscal year.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government’s vulnerability to the risk of substantial impact. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025 fiscal year.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2026 fiscal year.

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REQUIRED SUPPLEMENTARY INFORMATION

Draft

Village of Paw Paw

**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended February 29, 2024

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<i>Variance with final budget positive (negative)</i>
<b>REVENUES</b>				
Property taxes	\$ 1,217,172	\$ 1,242,313	\$ 1,018,033	\$ (224,280)
Licenses and permits	163,000	108,534	108,492	(42)
State grants	484,159	474,025	519,672	45,647
Charges for services	16,000	15,537	16,949	1,412
Fines and forfeitures	15,600	10,671	12,301	1,630
Interest and rentals	6,800	25,099	27,189	2,090
Other	2,150	22,683	22,768	85
Total revenues	<u>1,904,881</u>	<u>1,898,862</u>	<u>1,725,404</u>	<u>(173,458)</u>
<b>EXPENDITURES</b>				
Current:				
General government	168,595	159,607	163,314	(3,707)
Public safety	1,438,705	1,101,995	1,113,522	(11,527)
Public works	242,545	214,355	231,988	(17,633)
Community and economic development	28,070	23,874	26,708	(2,834)
Capital outlay	24,500	52,637	54,136	(1,499)
Total expenditures	<u>1,902,415</u>	<u>1,552,468</u>	<u>1,589,668</u>	<u>(37,200)</u>
<b>NET CHANGE IN FUND BALANCE</b>	2,466	346,394	135,736	(210,658)
<b>FUND BALANCE - BEGINNING</b>	<u>1,172,606</u>	<u>1,172,606</u>	<u>1,172,606</u>	-
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,175,072</u>	<u>\$ 1,519,000</u>	<u>\$ 1,308,342</u>	<u>\$ (210,658)</u>

*Village of Paw Paw*

**BUDGETARY COMPARISON SCHEDULE - *Municipal Street Fund***

*Year ended February 29, 2024*

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 369,300	\$ 428,996	\$ 435,648	\$ 6,652
State grants	-	-	26,019	26,019
Interest	-	-	9,622	9,622
Total revenues	<u>369,300</u>	<u>428,996</u>	<u>471,289</u>	<u>42,293</u>
<b>EXPENDITURES</b>				
Current:				
Public works	<u>334,100</u>	<u>131,343</u>	<u>126,772</u>	<u>4,571</u>
<b>NET CHANGE IN FUND BALANCE</b>	35,200	297,653	344,517	46,864
<b>FUND BALANCE - BEGINNING</b>	<u>857,069</u>	<u>857,069</u>	<u>857,069</u>	-
<b>FUND BALANCE - ENDING</b>	<u>\$ 892,269</u>	<u>\$ 1,154,722</u>	<u>\$ 1,201,586</u>	<u>\$ 46,864</u>

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*Village of Paw Paw*

**BUDGETARY COMPARISON SCHEDULE - Major Street Fund**

*Year ended February 29, 2024*

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>				
State grants	\$ 326,500	\$ 489,126	\$ 354,980	\$ (134,146)
Interest	2,000	13,181	14,395	1,214
Other	-	7,606	230	(7,376)
Total revenues	328,500	509,913	369,605	(140,308)
<b>EXPENDITURES</b>				
Current:				
Public works	273,450	155,087	156,409	(1,322)
<b>NET CHANGES IN FUND BALANCE</b>	55,050	354,826	213,196	(141,630)
<b>FUND BALANCE - BEGINNING</b>	1,378,096	1,378,096	1,378,096	-
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,433,146</u>	<u>\$ 1,732,922</u>	<u>\$ 1,591,292</u>	<u>\$ (141,630)</u>

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Village of Paw Paw

**SCHEDULE OF CHANGES IN THE VILLAGE'S NET PENSION LIABILITY AND RELATED RATIOS**

Last nine Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:									
Service cost	\$ 231,635	\$ 220,293	\$ 192,081	\$ 218,224	\$ 234,429	\$ 210,403	\$ 216,932	\$ 213,350	\$ 201,342
Interest	936,056	842,601	809,443	809,821	793,128	781,918	744,853	690,512	659,517
Benefit changes	(13,076)	-	-	-	-	(12,043)	(16,691)	-	-
Difference between expected and actual experience	(4,595)	138,545	8,310	(35,697)	(110,594)	(211,524)	104,698	264,030	-
Changes in assumptions	-	419,958	237,065	275,828	-	-	-	373,920	-
Benefit payments, including refunds	(845,879)	(790,981)	(678,925)	(662,346)	(632,257)	(636,387)	(560,496)	(482,790)	(457,208)
Other changes	(105,866)	169,748	(89,771)	(56,665)	(52,897)	(6,319)	15,233	(81,138)	(21,172)
Net change in total pension liability	198,275	1,000,164	478,203	549,165	231,809	126,048	504,529	977,884	382,479
Total pension liability, beginning of year	12,372,361	11,372,197	10,893,994	10,344,829	10,113,020	9,986,972	9,482,443	8,504,559	8,122,080
Total pension liability, end of year	<u>\$ 12,570,636</u>	<u>\$ 12,372,361</u>	<u>\$ 11,372,197</u>	<u>\$ 10,893,994</u>	<u>\$ 10,344,829</u>	<u>\$ 10,113,020</u>	<u>\$ 9,986,972</u>	<u>\$ 9,482,443</u>	<u>\$ 8,504,559</u>
Plan fiduciary net position:									
Contributions - employer	\$ 350,421	\$ 383,935	\$ 349,012	\$ 391,469	\$ 264,812	\$ 290,615	\$ 282,876	\$ 172,811	\$ 207,839
Contributions - employee	127,539	134,600	115,425	131,869	133,680	138,554	138,167	122,849	108,641
Net investment income (loss)	887,818	(977,623)	1,184,970	981,462	935,346	(287,979)	889,657	704,573	(96,079)
Benefit payments, including refunds	(845,879)	(790,981)	(678,925)	(662,346)	(632,257)	(636,387)	(560,496)	(482,790)	(457,208)
Administrative expenses	(18,856)	(17,243)	(13,592)	(15,380)	(16,106)	(14,357)	(14,087)	(13,905)	(14,074)
Net change in plan fiduciary net position	501,043	(1,267,312)	956,890	827,074	685,475	(509,554)	736,117	503,538	(250,881)
Plan fiduciary net position, beginning of year	8,134,021	9,401,333	8,444,443	7,617,369	6,931,894	7,441,448	6,705,331	6,201,793	6,452,674
Plan fiduciary net position, end of year	<u>\$ 8,635,064</u>	<u>\$ 8,134,021</u>	<u>\$ 9,401,333</u>	<u>\$ 8,444,443</u>	<u>\$ 7,617,369</u>	<u>\$ 6,931,894</u>	<u>\$ 7,441,448</u>	<u>\$ 6,705,331</u>	<u>\$ 6,201,793</u>
Village's net pension liability, end of year	<u>\$ 3,935,572</u>	<u>\$ 4,238,340</u>	<u>\$ 1,970,864</u>	<u>\$ 2,449,551</u>	<u>\$ 2,727,460</u>	<u>\$ 3,181,126</u>	<u>\$ 2,545,524</u>	<u>\$ 2,777,112</u>	<u>\$ 2,302,766</u>
Plan fiduciary net position as a percent of total pension liability	68.69%	65.74%	82.67%	77.51%	73.63%	68.54%	74.51%	70.71%	72.92%
Covered payroll	\$ 1,668,547	\$ 1,655,043	\$ 1,477,651	\$ 1,653,278	\$ 1,748,518	\$ 1,588,531	\$ 1,656,800	\$ 1,639,766	\$ 1,561,614
Village's net pension liability as a percentage of covered payroll	235.87%	256.09%	133.38%	148.16%	155.99%	200.26%	153.64%	169.36%	147.46%

Note: This schedule is being built prospectively after the implementation of GASB 68 in 2015. Ultimately, ten years of data will be presented.

**Village of Paw Paw**

**SCHEDULE OF VILLAGE PENSION CONTRIBUTIONS**

*Last Ten Fiscal Years*

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 375,670	\$ 385,773	\$ 354,077	\$ 361,855	\$ 268,247	\$ 298,147	\$ 247,370	\$ 171,970	\$ 213,052	\$ 161,859
Contributions in relation to the actuarially determined contributions	<u>375,670</u>	<u>385,773</u>	<u>354,077</u>	<u>361,855</u>	<u>318,247</u>	<u>298,147</u>	<u>247,370</u>	<u>212,246</u>	<u>213,052</u>	<u>161,859</u>
Contribution excess/(deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,276</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$1,668,547</u>	<u>\$1,655,043</u>	<u>\$1,477,651</u>	<u>\$1,653,278</u>	<u>\$1,748,518</u>	<u>\$1,588,351</u>	<u>\$1,656,800</u>	<u>\$1,639,766</u>	<u>\$1,561,614</u>	<u>\$1,415,179</u>
Contributions as a percentage of covered payroll	22.51%	23.31%	23.96%	21.89%	18.20%	18.77%	14.93%	12.94%	13.64%	11.44%

Actuarial valuation information relative to the determination of contributions:

Valuation date                      Actuarially determined contribution rates are calculated as of December 31 each year, which is 24 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial cost method              Entry age normal cost

Amortization method              Level percentage of payroll, open

Remaining amortization period    17 years

Asset valuation method            5-year smoothed market

Inflation                              2.50%

Salary increases                    3.00%

Investment rate of return          7.00%, net of investment and administrative expenses, including inflation

Retirement age                    Normal retirement age is 60 years

Mortality                              50% Male/50% Female blend of the RP-2019 Healthy Annuitant Mortality Tables with rates multiplied by 106%

**OTHER SUPPLEMENTARY INFORMATION**

Draft

**COMBINING BALANCE SHEET - nonmajor governmental funds**

February 29, 2024

	<i>Special revenue funds</i>					<i>Totals</i>
	<i>Local Street</i>	<i>Police</i>	<i>Parks</i>	<i>Natural Waterways</i>	<i>Wine and Harvest Festival</i>	
<b>ASSETS</b>						
Cash	\$ 422,502	\$ 6,037	\$ 82,982	\$ 1,087,328	\$ 49,611	\$ 1,648,460
Due from other governments	22,613	-	-	-	-	22,613
Taxes receivable	-	8,784	9,341	-	-	18,125
Prepays	1,775	-	-	523	-	2,298
<b>Total assets</b>	<u>\$ 446,890</u>	<u>\$ 14,821</u>	<u>\$ 92,323</u>	<u>\$ 1,087,851</u>	<u>\$ 49,611</u>	<u>\$ 1,691,496</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 545	\$ -	\$ 480	\$ 32,495	\$ -	\$ 33,520
Unearned revenue	-	-	-	315,198	-	315,198
Accrued payroll	923	-	1,619	159	699	3,400
<b>Total liabilities</b>	<u>1,468</u>	<u>-</u>	<u>2,099</u>	<u>347,852</u>	<u>699</u>	<u>352,118</u>
Fund balances:						
Nonspendable - prepaids	1,775	-	-	523	-	2,298
Restricted for:						
Police protection	-	14,821	-	-	-	14,821
Public works	443,647	-	-	739,476	-	1,183,123
Recreation and culture	-	-	90,224	-	48,912	139,136
<b>Total fund balances</b>	<u>445,422</u>	<u>14,821</u>	<u>90,224</u>	<u>739,999</u>	<u>48,912</u>	<u>1,339,378</u>
<b>Total liabilities and fund balance</b>	<u>\$ 446,890</u>	<u>\$ 14,821</u>	<u>\$ 92,323</u>	<u>\$ 1,087,851</u>	<u>\$ 49,611</u>	<u>\$ 1,691,496</u>

Village of Paw Paw

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

Year ended February 29, 2024

	<i>Special revenue funds</i>					<i>Totals</i>
	<i>Local Street</i>	<i>Police</i>	<i>Parks</i>	<i>Natural Waterways</i>	<i>Wine and Harvest Festival</i>	
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ 136,860	\$ -	\$ -	\$ 136,860
State grants	146,457	-	4,160	59,356	-	209,973
Federal grants	-	-	-	15,570	-	15,570
Local grants	-	-	-	-	11,750	11,750
Charges for services	-	-	-	-	66,283	66,283
Interest and rentals	4,279	572	922	-	15,152	20,925
Other	-	270,141	8,416	-	69,938	348,495
	<u>150,736</u>	<u>270,713</u>	<u>150,358</u>	<u>74,926</u>	<u>163,123</u>	<u>809,856</u>
Total revenues						
<b>EXPENDITURES</b>						
Current:						
Public safety	-	266,803	-	-	-	266,803
Public works	125,851	-	-	-	-	125,851
Recreation and culture	-	-	110,040	185,326	156,247	451,613
	<u>125,851</u>	<u>266,803</u>	<u>110,040</u>	<u>185,326</u>	<u>156,247</u>	<u>844,267</u>
Total expenditures						
<b>NET CHANGES IN FUND BALANCES</b>	24,885	3,910	40,318	(110,400)	6,876	(34,411)
<b>FUND BALANCES - BEGINNING</b>	<u>420,537</u>	<u>10,911</u>	<u>49,906</u>	<u>850,399</u>	<u>42,036</u>	<u>1,373,789</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 445,422</u>	<u>\$ 14,821</u>	<u>\$ 90,224</u>	<u>\$ 739,999</u>	<u>\$ 48,912</u>	<u>\$ 1,339,378</u>

**BALANCE SHEET - Component Unit**

February 29, 2024

	<u><b>Downtown Development Authority</b></u>
<b>ASSETS</b>	
Cash	\$ 320,801
Accounts receivable	463
Property taxes receivable	328,119
Prepays	<u>2,098</u>
Total assets	<u><u>\$ 651,481</u></u>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities:	
Accounts payable	\$ 821
Accrued payroll	<u>1,965</u>
Total liabilities	2,786
Fund balance:	
Nonspendable - prepaids	2,098
Unassigned	<u>646,597</u>
Total fund balance	<u>648,695</u>
Total liabilities and fund balance	<u><u>\$ 651,481</u></u>
Total fund balance	\$ 648,695
<p>Amounts reported for the <i>component unit</i> in the statement of net position (page 14) are different because:</p>	
<p>Capital assets used by the <i>component unit</i> are not financial resources and, therefore, are not reported in the funds.</p>	115,322
Deferred outflows and inflows of resources:	
Deferred outflows of resources - pension	17,607
Deferred inflows of resources - pension	(75)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund.</p>	
Compensated absences	(2,556)
Net pension liability	<u>(96,420)</u>
Net position of the <i>component unit</i>	<u><u>\$ 682,573</u></u>

**Village of Paw Paw**

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

**Component Unit**

Year ended February 29, 2024

	<u><b>Downtown Development Authority</b></u>
<b>REVENUES</b>	
Property taxes	\$ 321,827
Interest and rentals	17,287
Other	<u>82</u>
Total revenues	<u>339,196</u>
<b>EXPENDITURES</b>	
Current - community and economic development	257,175
Capital outlay	<u>68,704</u>
Total expenditures	<u>325,879</u>
<b>NET CHANGES IN FUND BALANCE</b>	13,317
<b>FUND BALANCE - BEGINNING</b>	<u>635,378</u>
<b>FUND BALANCE - ENDING</b>	<u><u>\$ 648,695</u></u>
Net change in fund balance	\$ 13,317
<p>Amounts reported for the <i>component unit</i> in the statement of activities (page 15) are different because:</p>	
Capital assets:	
Add - asset acquisitions	67,696
Deduct - depreciation provision	(5,908)
Changes in deferred outflows and inflows of resources:	
Net decrease in deferred outflows of resources - pension	(27,572)
Net decrease in deferred inflows of resources - pension	220
Long term liabilities:	
Decrease in compensated absences	397
Decrease in net pension liability	<u>43,869</u>
Change in net position of <i>component unit</i>	<u><u>\$ 92,019</u></u>

**BUDGETARY COMPARISON SCHEDULE - Component Unit**

Year ended February 29, 2024

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 280,300	\$ 297,184	\$ 321,827	\$ 24,643
Interest and rentals	15,350	17,020	17,287	267
Other	-	83	82	(1)
Total revenues	<u>295,650</u>	<u>314,287</u>	<u>339,196</u>	<u>24,909</u>
<b>EXPENDITURES</b>				
Current: Community and economic development	260,865	257,034	257,175	(141)
Capital outlay	<u>105,450</u>	<u>68,704</u>	<u>68,704</u>	<u>-</u>
Total expenditures	<u>366,315</u>	<u>325,738</u>	<u>325,879</u>	<u>(141)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(70,665)	(11,451)	13,317	24,768
<b>FUND BALANCE - BEGINNING</b>	<u>635,378</u>	<u>635,378</u>	<u>635,378</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 564,713</u>	<u>\$ 623,927</u>	<u>\$ 648,695</u>	<u>\$ 24,768</u>

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

Village Council  
Village of Paw Paw, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Paw Paw (the Village) as of and for the year ended February 29, 2024, and the related notes to the financial statements, which collectively comprise Village's basic financial statements and have issued our report thereon dated August 23, 2024.

**Report on Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### 2024-001 UNFAVORABLE BUDGET VARIANCES

Condition: During our review of the Village's compliance with the budgeting act, we noted expenditures had exceeded the amounts appropriated for various activities in the General Fund and the Major Street Fund. A similar finding was noted and reported in our audit comments last year.

Criteria: The Uniform Budgeting and Accounting Act requires the Village to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and that amount of the deviation can be determined." The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body."

Cause: The Village did not adequately monitor expenditures in relation to budgeted amounts in the areas where the overages occurred.

Effect: The Village adopted the budget for the General Fund at the activity level. Having unfavorable budget variances as described above, the Village is not in compliance with Public Act 621 of 1978, as amended.

Recommendation: We recommend the Village monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

View of Responsible Officials: Management is in agreement and the standard operating procedures within the Village has been corrected.

### 2024-002 UNIFORM CHART OF ACCOUNTS

Condition: The Village did not appropriately update their chart of accounts in accordance with the Uniform Chart of Accounts, as required by the Michigan Department of Treasury. A similar finding was noted and reported in our audit comments last years.

Criteria: Public Act 2 of 1968 states that the State Treasurer shall prescribe uniform chart of accounts for all local units of similar size, function, or service designed to fulfill the requirements of good accounting practices related to general government.

Cause: Village management has not amended the chart of accounts to conform with recent changes to the Uniform Chart of Accounts.

Effect: The Village is not in compliance with the Uniform Chart of Accounts prescribed by the State Treasurer.

Recommendation: We recommend the Village update their existing chart of accounts to conform with the Uniform Chart of Accounts as prescribed by the State Treasurer.

View of Responsible Officials: Management is in agreement and will take appropriate steps to remedy the noted finding.

### **Village's Responses to the Findings**

The Village's responses to the findings identified in our audit are listed above. The Village's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

August 23, 2024

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