

Village of Paw Paw
Van Buren County, Michigan
FINANCIAL STATEMENTS
Year ended February 28, 2025

	<i>Page</i>
INDEPENDENT AUDITOR'S REPORT	3 - 5
MANAGEMENT'S DISCUSSION AND ANALYSIS	6 - 13
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net position	14
Statement of activities	15
Fund financial statements:	
Balance sheet - governmental funds	16
Statement of revenues, expenditures, and changes in fund balances - governmental funds	17 - 18
Statement of net position - proprietary funds	19
Statement of revenues, expenses, and changes in net position - proprietary funds	20
Statement of cash flows - proprietary funds	21 - 22
Statement of fiduciary net position - custodial fund	23
Statement of changes in fiduciary net position - custodial fund	24
Notes to financial statements	25 - 42
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	43 - 44
Municipal Street Fund	45
Major Street Fund	46
Natural Waterways Fund	47
Schedule of changes in the Village's net pension liability and related ratios	48
Schedule of Village pension contributions	49
Notes to Required Supplementary Information	50
OTHER SUPPLEMENTARY INFORMATION	
Combining balance sheet - nonmajor governmental funds	51
Combining statement of revenue, expenditures, and changes in fund balance - nonmajor governmental funds	52
Balance sheet - component unit	53
Statement of revenues, expenditures, and changes in fund balances - component unit	54
Budgetary comparison schedule - component unit	55



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 28, 2025, 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 28, 2025, 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 31, 2025, 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.

Maney Costerian PC

August 31, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 28, 2025. Please read it in conjunction with the Village's financial statements.

FINANCIAL HIGHLIGHTS

- The Village's total net position increased by \$5,669,848 as a result of this year's activities. The net position of the governmental activities increased by \$1,067,106, and the net position of the business-type activities increased by \$4,602,742.
- Of the \$40,824,725 total net position reported, \$9,866,368 (24 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 \$1,649,339, which represents 103 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 2025 and 2024 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 \$40,824,725. Of this total, \$26,229,727 represents a net investment in capital assets and \$4,728,630 is restricted. Consequently, unrestricted net position was \$9,866,368, or 24 percent of the total.

Condensed financial information
Net position

	Governmental activities		Business-type activities		Totals	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 7,954,862	\$ 6,729,395	\$ 12,374,954	\$ 10,681,756	\$ 20,329,816	\$ 17,411,151
Capital assets	6,374,498	6,099,680	29,550,607	24,106,345	35,925,105	30,206,025
Total assets	14,329,360	12,829,075	41,925,561	34,788,101	56,254,921	47,617,176
Deferred outflows of resources	314,999	453,179	179,920	247,863	494,919	701,042
Current and other liabilities	3,423,300	3,332,972	2,481,828	2,900,248	5,905,128	6,233,220
Long-term debt	-	-	9,695,378	6,927,133	9,695,378	6,927,133
Total liabilities	3,423,300	3,332,972	12,177,206	9,827,381	15,600,506	13,160,353
Deferred inflows of resources	206,602	1,931	118,007	1,057	324,609	2,988
Net position:						
Net investment in capital assets	6,374,498	6,099,680	19,855,229	17,179,212	26,229,727	23,278,892
Restricted	4,728,630	4,154,443	-	-	4,728,630	4,154,443
Unrestricted	(88,671)	(306,772)	9,955,039	8,028,314	9,866,368	7,721,542
Total net position	\$ 11,014,457	\$ 9,947,351	\$ 29,810,268	\$ 25,207,526	\$ 40,824,725	\$ 35,154,877

Changes in net position

The Village's total revenues were \$15,220,665 in 2025 compared to \$14,967,480 in 2024. Property taxes account for 11 percent of the revenues, and another 56 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 25 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 2025, covering a wide range of services, totaled \$9,550,817 compared to \$9,629,687 in 2024. Approximately 68 percent of the Village's total expenses relates to the provision of utility services. Public safety (police and fire protection) costs represent 15 percent of total costs, and public works costs represent another 9 percent of the total expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Condensed financial information
Changes in net position

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Program revenues:						
Charges for services	\$ 213,347	\$ 304,344	\$ 8,371,259	\$ 7,995,178	\$ 8,584,606	\$ 8,299,522
Grants and contributions:						
Operating	1,006,194	816,637	-	-	1,006,194	816,637
Capital	192,360	74,926	2,634,448	3,512,821	2,826,808	3,587,747
General revenues:						
Property taxes	1,649,232	1,590,541	-	-	1,649,232	1,590,541
State shared revenue	440,910	440,255	-	-	440,910	440,255
Local community stabilization share	43,474	76,287	-	-	43,474	76,287
Franchise fees	33,508	36,371	-	-	33,508	36,371
Other	289,665	40,634	346,268	79,486	635,933	120,120
Total revenues	<u>3,868,690</u>	<u>3,379,995</u>	<u>11,351,975</u>	<u>11,587,485</u>	<u>15,220,665</u>	<u>14,967,480</u>
Expenses:						
General government	155,963	172,663	-	-	155,963	172,663
Public safety	1,421,375	1,612,634	-	-	1,421,375	1,612,634
Public works	893,104	860,964	-	-	893,104	860,964
Recreation and culture	586,697	504,708	-	-	586,697	504,708
Community and economic development	44,445	26,695	-	-	44,445	26,695
Sewer	-	-	1,164,515	1,283,652	1,164,515	1,283,652
Water	-	-	1,072,701	802,112	1,072,701	802,112
Electric	-	-	4,212,017	4,366,259	4,212,017	4,366,259
Total expenses	<u>3,101,584</u>	<u>3,177,664</u>	<u>6,449,233</u>	<u>6,452,023</u>	<u>9,550,817</u>	<u>9,629,687</u>
Transfers	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net position	<u>\$ 1,067,106</u>	<u>\$ 202,331</u>	<u>\$ 4,602,742</u>	<u>\$ 5,135,462</u>	<u>\$ 5,669,848</u>	<u>\$ 5,337,793</u>
Net position, end of year	<u>\$ 11,014,457</u>	<u>\$ 9,947,351</u>	<u>\$ 29,810,268</u>	<u>\$ 25,207,526</u>	<u>\$ 40,824,725</u>	<u>\$ 35,154,877</u>

Governmental activities

Governmental activities increased the Village's net position by \$1,067,106 in the current year compared to an increase of \$202,331 in the prior year. Revenues increased by \$488,695 and expenses decreased by \$76,080 in the current year, which caused the 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 \$3,101,584. However, the amount that our taxpayers paid for these activities through general revenues was \$1,689,683. Program costs were paid by:

- Those who directly benefited from the programs (\$213,347), or
- Other governments provided support for operating and capital costs (\$1,198,554)

<u>Function</u>	<u>Total cost of services</u>	<u>Net cost of services</u>
Public safety	\$ 1,421,375	\$ 958,769
General government	155,963	108,174
Public works	893,104	141,368
Other	<u>631,142</u>	<u>481,372</u>
Totals	<u>\$ 3,101,584</u>	<u>\$ 1,689,683</u>

Business-type activities

Business-type activities increased the Village's net position by \$4,602,742 in the current year compared to an increase of \$5,135,462 in the prior year. Net position increased in the current year, as revenues decreased by \$235,510 mainly due to decreased state grants and expenses decreased by \$2,790 along with a \$300,000 increase in transfers out.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Governmental funds

As of February 28, 2025, the Village's governmental funds reported combined ending fund balances of \$6,252,884, an increase of \$812,286 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 \$1,659,671. Fund balance increased by \$351,329 during the current year, as revenues of \$1,961,923 were more than sufficient to fund expenditures in the amounts \$1,595,733 and transfers to other funds of \$14,861.

The Municipal Street Fund experienced a decrease in fund balance of \$163,634 as revenues of \$493,800, were not sufficient to cover expenditures of \$157,434 and transfers out of \$500,000 in the current year. Fund balance was \$1,037,952 at year end.

The Major Street Fund experienced a decrease in fund balance of \$90,337 as revenues of \$420,574 were not sufficient to cover expenditures of \$510,911 in the current year. Fund balance was \$1,500,955 at year end.

The Natural Waterways Fund, previously reported as nonmajor, experienced an increase in fund balance of \$243,031 as revenues of \$211,003 and transfers in of \$314,861 were sufficient to cover expenditures of \$282,833 in the current year. Fund balance was \$983,030 at year end.

Proprietary funds

The Sewer Fund experienced an operating gain of \$299,399, but its net position increased by \$2,078,200 because nonoperating revenues (\$75,053) and capital grants (\$1,875,000) less interest expense (\$171,252) was recognized in the current year. Unrestricted net position was \$1,744,284 at year end.

The Water Fund experienced an operating gain of \$21,622, and its net position increased by \$811,543 because nonoperating revenues (\$31,312) and capital grants (\$759,448) 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 \$234,346 in the current year. Unrestricted net position was \$390,472 at year end.

The Electric Fund experienced an operating gain of \$1,754,010, as operating revenues were sufficient to cover all operating expenses, including depreciation, in the amount of \$66,970. The fund's net position increased by \$1,693,913. Unrestricted net position was \$7,775,829 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 \$257,696 during the year to reflect revised expectations for a variety of expenditure categories, mainly public safety \$267,388.

Actual revenues were \$7,986 less than budgeted, primarily because state grants were \$27,411 less than expected.

Actual expenditures were \$15,495 less than amounts appropriated.

These variances resulted in a \$7,352 negative budget variance, as the fund balance increased by \$351,329 compared to a budgeted increase of \$358,681.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Village's investment in capital assets for its governmental and business-type activities as of February 28, 2025, amounts to \$35,925,105 (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	\$ 4,797,598	\$ 14,271,769	\$ 19,069,367
Land	60,222	464,076	524,298
Construction in progress	398,896	13,763,820	14,162,716
Land improvements	-	759,357	759,357
Buildings and improvements	430,835	207,428	638,263
Vehicles and equipment	<u>686,947</u>	<u>84,157</u>	<u>771,104</u>
Totals	<u>\$ 6,374,498</u>	<u>\$ 29,550,607</u>	<u>\$ 35,925,105</u>

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 \$707,011
- Two new vehicles purchased for \$74,131
- Sewer and Water improvements project totaling \$5,823,124

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 \$9,695,378, which represents an increase of \$2,768,245, with \$2,858,245 in loan draws and \$90,000 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 (\$3,429,013) and accrued compensated absences (\$260,812).

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

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

February 28, 2025

	<u>Primary government</u>			<u>Component unit</u>
	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>	<u>Downtown Development Authority</u>
ASSETS				
Current assets:				
Cash	\$ 7,523,832	\$ 10,611,890	\$ 18,135,722	\$ 362,214
Receivables	319,265	1,417,875	1,737,140	372,475
Grants receivable	-	212,512	212,512	-
Prepaid expenses	20,802	44,638	65,440	2,235
Inventory	-	43,585	43,585	-
Internal balances	(44,454)	44,454	-	-
Total current assets	<u>7,819,445</u>	<u>12,374,954</u>	<u>20,194,399</u>	<u>736,924</u>
Noncurrent assets:				
Equity in joint venture	135,417	-	135,417	-
Capital assets not being depreciated	459,118	14,227,896	14,687,014	-
Capital assets being depreciated, net	<u>5,915,380</u>	<u>15,322,711</u>	<u>21,238,091</u>	<u>106,593</u>
Total noncurrent assets	<u>6,509,915</u>	<u>29,550,607</u>	<u>36,060,522</u>	<u>106,593</u>
Total assets	<u>14,329,360</u>	<u>41,925,561</u>	<u>56,254,921</u>	<u>843,517</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts - pension	<u>314,999</u>	<u>179,920</u>	<u>494,919</u>	<u>13,472</u>
LIABILITIES				
Current liabilities:				
Payables	135,832	1,159,344	1,295,176	18,707
Unearned revenue	1,010,996	-	1,010,996	-
Compensated absences	113,900	81,700	195,600	2,377
Bonds payable due within one year	-	307,900	307,900	-
Total current liabilities	<u>1,260,728</u>	<u>1,548,944</u>	<u>2,809,672</u>	<u>21,084</u>
Noncurrent liabilities:				
Compensated absences	37,955	27,257	65,212	-
Net pension liability	2,124,617	1,213,527	3,338,144	90,869
Bonds payable	-	9,387,478	9,387,478	-
Total noncurrent liabilities	<u>2,162,572</u>	<u>10,628,262</u>	<u>12,790,834</u>	<u>90,869</u>
Total liabilities	<u>3,423,300</u>	<u>12,177,206</u>	<u>15,600,506</u>	<u>111,953</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts - pension	<u>206,602</u>	<u>118,007</u>	<u>324,609</u>	<u>8,836</u>
NET POSITION				
Net investment in capital assets	6,374,498	19,855,229	26,229,727	106,593
Restricted	4,728,630	-	4,728,630	-
Unrestricted	<u>(88,671)</u>	<u>9,955,039</u>	<u>9,866,368</u>	<u>629,607</u>
Total net position	<u>\$ 11,014,457</u>	<u>\$ 29,810,268</u>	<u>\$ 40,824,725</u>	<u>\$ 736,200</u>

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended February 28, 2025

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	\$ 155,963	\$ 47,789	\$ -	\$ -	\$ (108,174)		\$ (108,174)	
Public safety	1,421,375	82,205	380,401	-	(958,769)		(958,769)	
Public works	893,104	18,390	540,986	192,360	(141,368)		(141,368)	
Recreation and culture	586,697	64,963	84,807	-	(436,927)		(436,927)	
Community and economic development	44,445	-	-	-	(44,445)		(44,445)	
Total governmental activities	<u>3,101,584</u>	<u>213,347</u>	<u>1,006,194</u>	<u>192,360</u>	<u>(1,689,683)</u>		<u>(1,689,683)</u>	
Business-type activities:								
Sewer	1,164,515	1,300,379	-	1,875,000		\$ 2,010,864	2,010,864	
Water	1,072,701	1,103,527	-	759,448		790,274	790,274	
Electric	4,212,017	5,967,353	-	-		1,755,336	1,755,336	
Total business-type activities	<u>6,449,233</u>	<u>8,371,259</u>	<u>-</u>	<u>2,634,448</u>		<u>4,556,474</u>	<u>4,556,474</u>	
Total primary government	<u>\$ 9,550,817</u>	<u>\$ 8,584,606</u>	<u>\$ 1,006,194</u>	<u>\$ 2,826,808</u>	<u>(1,689,683)</u>	<u>4,556,474</u>	<u>2,866,791</u>	
Component unit:								
Downtown Development Authority	<u>\$ 324,798</u>	<u>\$ 13,200</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ (311,598)</u>
			General revenues:					
			Property taxes		1,649,232	-	1,649,232	349,337
			State shared revenue		440,910	-	440,910	-
			Local community stabilization share revenue		43,474	-	43,474	-
			Franchise fees		33,508	-	33,508	-
			Gain on sale of assets		21,282	-	21,282	-
			Unrestricted interest income		268,383	346,268	614,651	15,888
			Transfers		300,000	(300,000)	-	-
			Total general revenues and transfers		<u>2,756,789</u>	<u>46,268</u>	<u>2,803,057</u>	<u>365,225</u>
			Changes in net position		1,067,106	4,602,742	5,669,848	53,627
			Net position - beginning		<u>9,947,351</u>	<u>25,207,526</u>	<u>35,154,877</u>	<u>682,573</u>
			Net position - ending		<u>\$ 11,014,457</u>	<u>\$ 29,810,268</u>	<u>\$ 40,824,725</u>	<u>\$ 736,200</u>

See notes to financial statements

	<i>Special revenue funds</i>				<i>Nonmajor Funds</i>	<i>Total governmental funds</i>
	<i>General</i>	<i>Municipal Street</i>	<i>Major Street</i>	<i>Natural Waterways</i>		
ASSETS						
Cash	\$ 1,571,487	\$ 979,530	\$ 1,453,972	\$ 1,993,728	\$ 1,045,712	\$ 7,044,429
Accounts receivable	27,002	68,567	289	-	-	95,858
Due from other governments	72,419	-	61,163	-	24,015	157,597
Taxes receivable	46,417	-	-	-	19,393	65,810
Prepaid expenditures	10,332	1,650	2,284	904	2,915	18,085
Total assets	<u>\$ 1,727,657</u>	<u>\$ 1,049,747</u>	<u>\$ 1,517,708</u>	<u>\$ 1,994,632</u>	<u>\$ 1,092,035</u>	<u>\$ 7,381,779</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 27,892	\$ 11,085	\$ 12,588	\$ -	\$ 17,941	\$ 69,506
Accrued payroll	40,094	710	4,165	606	2,818	48,393
Unearned grants	-	-	-	1,010,996	-	1,010,996
Total liabilities	<u>67,986</u>	<u>11,795</u>	<u>16,753</u>	<u>1,011,602</u>	<u>20,759</u>	<u>1,128,895</u>
Fund balances:						
Nonspendable - prepaids	10,332	1,650	2,284	904	2,915	18,085
Restricted for:						
Public safety	-	-	-	-	27,804	27,804
Public works	-	1,036,302	1,498,671	-	854,623	3,389,596
Recreation and culture	-	-	-	982,126	185,934	1,168,060
Unassigned	1,649,339	-	-	-	-	1,649,339
Total fund balances	<u>1,659,671</u>	<u>1,037,952</u>	<u>1,500,955</u>	<u>983,030</u>	<u>1,071,276</u>	<u>6,252,884</u>
Total liabilities and fund balance	<u>\$ 1,727,657</u>	<u>\$ 1,049,747</u>	<u>\$ 1,517,708</u>	<u>\$ 1,994,632</u>	<u>\$ 1,092,035</u>	<u>\$ 7,381,779</u>

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

Total fund balance - total governmental funds \$ 6,252,884

Amounts reported for *governmental activities* in the statement of net position (page 14) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 5,822,246

Equity interests in joint ventures are not financial resources, and therefore, are not reported in the funds 135,417

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	304,984
Deferred inflows of resources - pension	(200,034)

Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Compensated absences	(144,385)
Net pension liability	(2,057,066)

Certain assets and liabilities of the internal service fund are included in *governmental activities* in the statement of net position. 900,411

Net position of *governmental activities* \$ 11,014,457

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

Year ended February 28, 2025

	<u>General</u>	<u>Special revenue funds</u>			<u>Nonmajor Funds</u>	<u>Total governmental funds</u>
		<u>Municipal Street</u>	<u>Major Street</u>	<u>Natural Waterways</u>		
REVENUES						
Property taxes	\$ 1,090,205	\$ 427,023	\$ -	\$ -	\$ 132,004	\$ 1,649,232
Special assessments	-	-	-	-	286,631	286,631
Licenses and permits	100,925	-	-	-	-	100,925
Federal grants	-	-	-	45,085	-	45,085
State grants	578,154	25,836	364,982	147,275	159,114	1,275,361
Local grants	-	-	-	-	11,750	11,750
Charges for services	18,201	-	-	-	64,963	83,164
Fines and forfeitures	14,788	-	-	-	-	14,788
Interest and rentals	116,018	40,941	55,592	-	45,766	258,317
Other	43,632	-	-	18,643	64,299	126,574
Total revenues	<u>1,961,923</u>	<u>493,800</u>	<u>420,574</u>	<u>211,003</u>	<u>764,527</u>	<u>3,851,827</u>
EXPENDITURES						
Current:						
General government	143,709	-	-	-	-	143,709
Public safety	1,097,053	-	-	-	276,334	1,373,387
Public works	257,410	157,434	510,911	-	258,935	1,184,690
Recreation and culture	3,333	-	-	282,833	257,361	543,527
Community and economic development	44,445	-	-	-	-	44,445
Capital outlay	49,783	-	-	-	-	49,783
Total expenditures	<u>1,595,733</u>	<u>157,434</u>	<u>510,911</u>	<u>282,833</u>	<u>792,630</u>	<u>3,339,541</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>366,190</u>	<u>336,366</u>	<u>(90,337)</u>	<u>(71,830)</u>	<u>(28,103)</u>	<u>512,286</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	314,861	500,000	814,861
Transfers out	(14,861)	(500,000)	-	-	-	(514,861)
Net other financing sources (uses)	<u>(14,861)</u>	<u>(500,000)</u>	<u>-</u>	<u>314,861</u>	<u>500,000</u>	<u>300,000</u>
CHANGES IN FUND BALANCES	351,329	(163,634)	(90,337)	243,031	471,897	812,286
FUND BALANCES - BEGINNING, as previously reported	1,308,342	1,201,586	1,591,292	-	1,339,378	5,440,598
Change from nonmajor fund to major fund	-	-	-	739,999	(739,999)	-
FUND BALANCES - BEGINNING, as restated	<u>1,308,342</u>	<u>1,201,586</u>	<u>1,591,292</u>	<u>739,999</u>	<u>599,379</u>	<u>5,440,598</u>
FUND BALANCES - ENDING	<u>\$ 1,659,671</u>	<u>\$ 1,037,952</u>	<u>\$ 1,500,955</u>	<u>\$ 983,030</u>	<u>\$ 1,071,276</u>	<u>\$ 6,252,884</u>

Village of Paw Paw

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

governmental funds (Continued)

Year ended February 28, 2025

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)	\$ 812,286
Amounts reported for <i>governmental activities</i> in the statement of activities (page 15) are different because:	
Capital assets:	
Add - assets acquired	725,111
Deduct - provision for depreciation	(397,884)
Changes in other assets/liabilities:	
Net increase in compensated absences	(55,956)
Net decrease in net pension liability	391,648
Decrease in equity interest in Paw Paw Fire department	(15,911)
Changes in deferred outflows and deferred inflows of resources:	
Net decrease in deferred outflows of resources - pension	(142,158)
Net increase in deferred inflows of resources - pension	(198,128)
A portion of the net revenues of the internal service fund is reported with governmental activities.	<u>(51,902)</u>
Change in net position of <i>governmental activities</i>	<u>\$ 1,067,106</u>

STATEMENT OF NET POSITION - proprietary funds

February 28, 2025

	<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>	
ASSETS					
Current assets:					
Cash	\$ 2,411,733	\$ 937,706	\$ 7,262,451	\$ 10,611,890	\$ 479,403
Receivables	244,931	165,707	1,007,237	1,417,875	-
Due from other governments	-	212,512	-	212,512	-
Prepaid expenses	7,714	6,597	30,327	44,638	2,717
Inventory	-	7,693	35,892	43,585	-
Total current assets	<u>2,664,378</u>	<u>1,330,215</u>	<u>8,335,907</u>	<u>12,330,500</u>	<u>482,120</u>
Noncurrent assets:					
Capital assets not being depreciated	9,559,055	4,560,542	108,299	14,227,896	-
Capital assets being depreciated, net	<u>7,202,950</u>	<u>7,314,129</u>	<u>805,632</u>	<u>15,322,711</u>	<u>552,252</u>
Total noncurrent assets	<u>16,762,005</u>	<u>11,874,671</u>	<u>913,931</u>	<u>29,550,607</u>	<u>552,252</u>
Total assets	<u>19,426,383</u>	<u>13,204,886</u>	<u>9,249,838</u>	<u>41,881,107</u>	<u>1,034,372</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts - pension	<u>91,664</u>	<u>61,667</u>	<u>26,589</u>	<u>179,920</u>	<u>10,015</u>
LIABILITIES					
Current liabilities:					
Accounts payables	191,193	496,346	331,751	1,019,290	14,581
Accrued payroll	9,493	9,563	5,097	24,153	3,352
Interest payable	83,931	839	-	84,770	-
Due to other governments	-	-	31,131	31,131	-
Compensated absences due within one year	36,600	28,700	16,400	81,700	5,600
Bonds payable due within one year	<u>250,000</u>	<u>57,900</u>	<u>-</u>	<u>307,900</u>	<u>-</u>
Total current liabilities	<u>571,217</u>	<u>593,348</u>	<u>384,379</u>	<u>1,548,944</u>	<u>23,533</u>
Noncurrent liabilities:					
Compensated absences	12,170	9,576	5,511	27,257	1,870
Net pension liability	618,251	415,939	179,337	1,213,527	67,551
Bonds payable	<u>8,850,290</u>	<u>537,188</u>	<u>-</u>	<u>9,387,478</u>	<u>-</u>
Total noncurrent liabilities	<u>9,480,711</u>	<u>962,703</u>	<u>184,848</u>	<u>10,628,262</u>	<u>69,421</u>
Total liabilities	<u>10,051,928</u>	<u>1,556,051</u>	<u>569,227</u>	<u>12,177,206</u>	<u>92,954</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred amounts - pension	<u>60,120</u>	<u>40,447</u>	<u>17,440</u>	<u>118,007</u>	<u>6,568</u>
NET POSITION					
Net investment in capital assets	7,661,715	11,279,583	913,931	19,855,229	552,252
Unrestricted	<u>1,744,284</u>	<u>390,472</u>	<u>7,775,829</u>	<u>9,910,585</u>	<u>392,613</u>
Total net position	<u>\$ 9,405,999</u>	<u>\$ 11,670,055</u>	<u>\$ 8,689,760</u>	<u>29,765,814</u>	<u>\$ 944,865</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>44,454</u>	
Net position of <i>business-type activities</i> (page 14)				<u>\$ 29,810,268</u>	

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

Year ended February 28, 2025

	<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>	
OPERATING REVENUES					
Charges for services:					
Utility commodity charges	\$ 1,296,083	\$ 1,060,804	\$ 5,768,351	\$ 8,125,238	\$ -
Rentals	-	-	-	-	357,126
Other	4,296	42,723	199,002	246,021	728
Total operating revenues	<u>1,300,379</u>	<u>1,103,527</u>	<u>5,967,353</u>	<u>8,371,259</u>	<u>357,854</u>
OPERATING EXPENSES					
Personnel costs	449,797	449,534	349,430	1,248,761	165,035
Supplies	39,352	92,244	25,550	157,146	55,293
Contracted services	37,710	74,030	705,611	817,351	25,956
Purchase power	-	-	2,949,289	2,949,289	-
Other	166,556	231,751	116,493	514,800	53,352
Depreciation	307,565	234,346	66,970	608,881	126,540
Total operating expenses	<u>1,000,980</u>	<u>1,081,905</u>	<u>4,213,343</u>	<u>6,296,228</u>	<u>426,176</u>
OPERATING INCOME (LOSS)	<u>299,399</u>	<u>21,622</u>	<u>1,754,010</u>	<u>2,075,031</u>	<u>(68,322)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest revenue	75,053	31,312	239,903	346,268	14,224
Interest expense and fees	(171,252)	(839)	-	(172,091)	-
Gain from asset disposal	-	-	-	-	21,282
Net nonoperating revenues (expenses)	<u>(96,199)</u>	<u>30,473</u>	<u>239,903</u>	<u>174,177</u>	<u>35,506</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>203,200</u>	<u>52,095</u>	<u>1,993,913</u>	<u>2,249,208</u>	<u>(32,816)</u>
CAPITAL CONTRIBUTIONS					
Grant	1,875,000	759,448	-	2,634,448	-
TRANSFER OUT	-	-	(300,000)	(300,000)	-
CHANGES IN NET POSITION	2,078,200	811,543	1,693,913	4,583,656	(32,816)
NET POSITION - BEGINNING	<u>7,327,799</u>	<u>10,858,512</u>	<u>6,995,847</u>	<u>25,182,158</u>	<u>977,681</u>
NET POSITION - ENDING	<u>\$ 9,405,999</u>	<u>\$ 11,670,055</u>	<u>\$ 8,689,760</u>	<u>\$ 29,765,814</u>	<u>\$ 944,865</u>
Change in net position				\$ 4,583,656	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				19,086	
Change in net position of <i>business-type activities</i> (page 15)				<u>\$ 4,602,742</u>	

STATEMENT OF CASH FLOWS - proprietary funds

Year ended February 28, 2025

	<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>	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 1,310,338	\$ 1,103,454	\$ 5,918,630	\$ 8,332,422	\$ -
Receipts from interfund services	-	-	-	-	357,854
Payments to vendors and suppliers	(381,566)	(434,141)	(3,909,641)	(4,725,348)	(154,383)
Payments to employees	(305,941)	(286,205)	(179,213)	(771,359)	(96,397)
Net cash provided by operating activities	<u>622,831</u>	<u>383,108</u>	<u>1,829,776</u>	<u>2,835,715</u>	<u>107,074</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
Transfers	-	-	(300,000)	(300,000)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from capital debt	2,803,358	861,985	-	3,665,343	-
Proceeds from asset disposal	-	-	-	-	21,282
Capital grant	1,875,000	546,936	-	2,421,936	-
Acquisition of capital assets	(4,342,765)	(1,494,388)	(215,990)	(6,053,143)	(74,131)
Decrease in payables	(364,643)	(145,789)	-	(510,432)	-
Principal payments on capital debt	(90,000)	-	-	(90,000)	-
Interest payments on capital debt	(87,321)	-	-	(87,321)	-
Net cash provided by (used in) capital and related financing activities	<u>(206,371)</u>	<u>(231,256)</u>	<u>(215,990)</u>	<u>(653,617)</u>	<u>(52,849)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	<u>75,053</u>	<u>31,312</u>	<u>239,903</u>	<u>346,268</u>	<u>14,224</u>
NET CHANGE IN CASH	491,513	183,164	1,553,689	2,228,366	68,449
CASH - BEGINNING	<u>1,920,220</u>	<u>754,542</u>	<u>5,708,762</u>	<u>8,383,524</u>	<u>410,954</u>
CASH - ENDING	<u>\$ 2,411,733</u>	<u>\$ 937,706</u>	<u>\$ 7,262,451</u>	<u>\$ 10,611,890</u>	<u>\$ 479,403</u>

STATEMENT OF CASH FLOWS - proprietary funds (Continued)

Year ended February 28, 2025

	<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>	
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	\$ 299,399	\$ 21,622	\$ 1,754,010	\$ 2,075,031	\$ (68,322)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	307,565	234,346	66,970	608,881	126,540
(Increase) decrease in:					
Receivables	9,959	(73)	(48,723)	(38,837)	-
Prepaid expenses	(353)	(213)	(929)	(1,495)	149
Deferred outflows of resources - pension	39,850	16,594	11,499	67,943	(3,978)
Increase (decrease) in:					
Payables	(5,475)	71,576	52,042	118,143	6,192
Compensated absences	14,285	11,788	6,878	32,951	5,458
Net pension liability	(101,959)	(12,645)	(29,248)	(143,852)	34,492
Deferred inflows of resources - pension	59,560	40,113	17,277	116,950	6,543
Net cash provided by operating activities	<u>\$ 622,831</u>	<u>\$ 383,108</u>	<u>\$ 1,829,776</u>	<u>\$ 2,835,715</u>	<u>\$ 107,074</u>

See notes to financial statements

STATEMENT OF FIDUCIARY NET POSITION - Custodial Fund

February 28, 2025

	<u>Custodial</u>
ASSETS	
Cash	\$ 12,746
NET POSITION	
Restricted for Individuals	\$ 12,746

Village of Paw Paw

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - Custodial Fund

Year ended February 28, 2025

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

See notes to financial statements

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 Natural Waterways Fund, a special revenue fund, accounts for state grant revenue that is restricted for expenditures related to maintaining and improving the Village's natural waterways.

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 for 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 2025 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 activity 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>Activity</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Primary government:					
General	General government	General administration	\$ 143,103	\$ 143,709	\$ 606
General	Community and economic development	Planning	38,208	44,445	6,237
General	Other financing uses	Transfers out	-	14,861	14,861
Municipal street	Public works	Streets	153,770	157,434	3,664

NOTE 3 - CASH

At February 28, 2025, 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	\$ 7,522,436	\$ 10,611,540	\$ 12,746	\$ 18,146,722	\$ 362,214	\$ 18,508,936
Cash on hand	<u>1,396</u>	<u>350</u>	<u>-</u>	<u>1,746</u>	<u>-</u>	<u>1,746</u>
Totals	<u>\$ 7,523,832</u>	<u>\$ 10,611,890</u>	<u>\$ 12,746</u>	<u>\$ 18,148,468</u>	<u>\$ 362,214</u>	<u>\$ 18,510,682</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 28, 2025, \$65,679 of the Village’s bank balances of \$18,663,213 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 28, 2025, 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	\$ 60,222	\$ -	\$ -	\$ 60,222
Construction in progress	<u>206,536</u>	<u>192,360</u>	<u>-</u>	<u>398,896</u>
Subtotal	<u>266,758</u>	<u>192,360</u>	<u>-</u>	<u>459,118</u>
Capital assets being depreciated:				
Buildings	1,927,708	-	-	1,927,708
Equipment	837,541	18,100	-	855,641
Vehicles	1,200,675	74,131	(17,547)	1,257,259
Infrastructure	<u>6,837,923</u>	<u>514,651</u>	<u>-</u>	<u>7,352,574</u>
Subtotal	<u>10,803,847</u>	<u>606,882</u>	<u>(17,547)</u>	<u>11,393,182</u>
Less accumulated depreciation for:				
Buildings	(1,448,449)	(48,424)	-	(1,496,873)
Equipment	(588,528)	(40,513)	-	(629,041)
Vehicles	(699,118)	(115,341)	17,547	(796,912)
Infrastructure	<u>(2,234,830)</u>	<u>(320,146)</u>	<u>-</u>	<u>(2,554,976)</u>
Subtotal	<u>(4,970,925)</u>	<u>(524,424)</u>	<u>17,547</u>	<u>(5,477,802)</u>
Total capital assets being depreciated, net	<u>5,832,922</u>	<u>82,458</u>	<u>-</u>	<u>5,915,380</u>
Governmental activities capital assets, net	<u>\$ 6,099,680</u>	<u>\$ 274,818</u>	<u>\$ -</u>	<u>\$ 6,374,498</u>

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

Governmental activities:	
General government	\$ 2,466
Public safety	11,883
Public works	341,189
Recreation and culture	42,346
Depreciation on capital assets held by internal service fund	<u>126,540</u>
Total governmental activities	<u>\$ 524,424</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>7,962,757</u>	<u>5,801,063</u>	<u>-</u>	<u>13,763,820</u>
Total capital assets not being depreciated	<u>8,426,833</u>	<u>5,801,063</u>	<u>-</u>	<u>14,227,896</u>
Capital assets being depreciated:				
Sewer system	13,335,659	22,061	-	13,357,720
Water system	10,670,609	-	-	10,670,609
Electrical system	3,418,180	201,963	-	3,620,143
Buildings	1,255,723	-	-	1,255,723
Vehicles and equipment	<u>1,467,699</u>	<u>28,056</u>	<u>-</u>	<u>1,495,755</u>
Subtotal	<u>30,147,870</u>	<u>252,080</u>	<u>-</u>	<u>30,399,950</u>
Less accumulated depreciation for:				
Sewer system	(6,082,548)	(281,450)	-	(6,363,998)
Water system	(3,165,734)	(226,828)	-	(3,392,562)
Electrical system	(2,811,737)	(49,049)	-	(2,860,786)
Buildings	(1,024,535)	(23,760)	-	(1,048,295)
Vehicles and equipment	<u>(1,383,804)</u>	<u>(27,794)</u>	<u>-</u>	<u>(1,411,598)</u>
Subtotal	<u>(14,468,358)</u>	<u>(608,881)</u>	<u>-</u>	<u>(15,077,239)</u>
Total capital assets being depreciated, net	<u>15,679,512</u>	<u>(356,801)</u>	<u>-</u>	<u>15,322,711</u>
Business-type activities capital assets, net	<u>\$ 24,106,345</u>	<u>\$ 5,444,262</u>	<u>\$ -</u>	<u>\$ 29,550,607</u>

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

Business-type activities:	
Sewer	\$ 307,565
Water	234,346
Electrical	<u>66,970</u>
Business-type activities total	<u>\$ 608,881</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Component unit - Downtown Development Authority:				
Capital assets being depreciated:				
Buildings	\$ 48,465	\$ -	\$ -	\$ 48,465
Equipment	28,212	-	-	28,212
Infrastructure	<u>123,430</u>	<u>-</u>	<u>-</u>	<u>123,430</u>
Subtotal	<u>200,107</u>	<u>-</u>	<u>-</u>	<u>200,107</u>
Less accumulated depreciation for :				
Buildings	(22,607)	(5,089)	-	(27,696)
Equipment	(22,050)	(1,411)	-	(23,461)
Infrastructure	<u>(40,128)</u>	<u>(2,229)</u>	<u>-</u>	<u>(42,357)</u>
Subtotal	<u>(84,785)</u>	<u>(8,729)</u>	<u>-</u>	<u>(93,514)</u>
Component unit capital assets, net	<u>\$ 115,322</u>	<u>\$ (8,729)</u>	<u>\$ -</u>	<u>\$ 106,593</u>

NOTE 5 - INTERFUND TRANSFERS

During the year the General fund and Electric fund transferred to the Natural Waterways fund to help fund the upcoming projects. The Municipal Street fund transferred money to the nonmajor governmental funds to fund future local street improvements.

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Natural waterways	\$ 314,861	General	\$ 14,861
		Electric	<u>300,000</u>
			<u>314,861</u>
Nonmajor governmental	<u>500,000</u>	Municipal street	<u>500,000</u>
Total	<u>\$ 814,861</u>	Total	<u>\$ 814,861</u>

NOTE 6 - LONG-TERM OBLIGATIONS

At February 28, 2025, 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 \$90,000 to \$166,250, plus interest of 1.38%; final payment due in October 2047	\$ 2,881,250
\$1,875,000 2022 CWSRF loan- payable in annual installments ranging from \$45,000 to \$70,000, plus interest of 1.875%; final payment due in October 2054	1,479,040
\$4,740,000 2023 WWTP bond- payable in annual installments ranging from \$115,000 to \$210,000, plus interest of 2.150%; final payment due in October 2054	4,740,000
\$2,832,900 2022 DWSRF loan- payable in annual installments ranging from \$57,900 to \$65,000, plus interest of 1.875%; final payment due in October 2062	<u>595,088</u>
Total business-type activities	<u>\$ 9,695,378</u>

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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - LONG-TERM OBLIGATIONS (Continued)

Long-term debt activity for the year ended February 28, 2025, 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	\$ 90,441	\$ -	\$ 61,414	\$ -	\$ 151,855	\$ 113,900
Business-type activities:						
2016 Sanitary Sewer bonds	\$ 2,971,250	\$ -	\$ -	\$ (90,000)	\$ 2,881,250	\$ 90,000
2022 CWSRF loan	3,924,678	815,322	-	-	4,740,000	115,000
2023 CWSRF loan	31,205	1,447,835	-	-	1,479,040	45,000
2022 DWSRF loan	-	595,088	-	-	595,088	57,900
Total business type bonds	6,927,133	2,858,245	-	(90,000)	9,695,378	307,900
Compensated absences	76,006	-	32,951	-	108,957	81,700
Total business-type activities	\$ 7,003,139	\$ 2,858,245	\$ 32,951	\$ (90,000)	\$ 9,804,335	\$ 389,600
Component unit:						
Compensated absences	\$ 2,556	\$ -	\$ (179)	\$ -	\$ 2,377	\$ 2,377

At February 28, 2025, 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>
2026	\$ 307,900	\$ 208,276
2027	315,000	212,001
2028	320,000	204,976
2029	325,000	197,845
2030	335,000	190,576
2031 - 2035	1,795,000	836,993
2036 - 2040	1,672,188	638,792
2041 - 2045	1,870,000	436,063
2046 - 2050	1,740,290	212,976
2051 -2054	1,015,000	65,450
Totals	\$ 9,695,378	\$ 3,203,948

NOTE 7 - 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.

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, 2023, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	33
Inactive employees entitled to but not yet receiving benefits	19
Active employees	<u>22</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 28, 2025, Village contributions ranged from 5.06% to 127.98% of monthly covered payroll. For the year ended February 28, 2025, the Village contributed \$410,343 to the plan, while employees contributed \$120,694.

Net pension liability:

The Village’s net pension liability reported at February 28, 2025, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2024. The total pension liability was determined by an annual actuarial valuation as of December 31, 2023.

Actuarial assumptions:

The total pension liability in the December 31, 2023, 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	7.18%	net of investment expense, including inflation

NOTE 7 - 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, 2023, valuation was based on the results of the most recent actuarial experience study.

Assumption changes:

The discount rate changed from 7.25% to 7.18%.

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>0.18%</u>
Investment rate of return			<u>7.18%</u>

NOTE 7 - DEFINED BENEFIT PENSION PLAN (Continued)

Discount rate:

The discount rate used to measure the total pension liability is 7.18% for 2023. 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, 2023	\$ 12,570,636	\$ 8,635,064	\$ 3,935,572
Changes for the year:			
Service cost	196,318	-	196,318
Interest	943,003	-	943,003
Differences between expected and actual experience	(497,873)	-	(497,873)
Change in assumptions	84,914	-	84,914
Employer contributions	-	409,622	(409,622)
Employee contributions	-	110,702	(110,702)
Net investment income	-	637,685	(637,685)
Benefit payments, including refunds	(929,895)	(929,895)	-
Administrative expenses	-	(18,851)	18,851
Other changes	(93,763)	-	(93,763)
Net changes	(297,296)	209,263	(506,559)
Balances at December 31, 2024	\$ 12,273,340	\$ 8,844,327	\$ 3,429,013

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 7.18%, as well as what the Village's net pension liability would be using a discount rate that is 1 percentage point lower (6.18%) or 1 percentage point higher (8.18%) than the current rate.

	<i>1% Decrease</i> <i>(6.18%)</i>	<i>Current rate</i> <i>(7.18%)</i>	<i>1% Increase</i> <i>(8.18%)</i>
Village's net pension liability	\$ 4,761,776	\$ 3,429,013	\$ 2,306,063

NOTE 7- 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. 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 28, 2025, the Village recognized pension expense of \$477,235. At February 28, 2025, the Village reported deferred outflows of resources and deferred inflows of resources, related to pensions, from the following sources:

<u>Source</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 348,348	\$ -
Changes in assumptions	56,609	-
Difference between expected and actual experience	<u>-</u>	<u>333,445</u>
Subtotal	<u>404,957</u>	<u>333,445</u>
Contributions made after plan year end	<u>103,434</u>	<u>-</u>
Total	<u>\$ 508,391</u>	<u>\$ 333,445</u>

Contributions made after plan year end were paid from January 1, 2025 - February 28, 2025 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:

<u>Year ended February 28,</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
2026	\$ 185,119	\$ 167,489
2027	295,489	165,956
2028	(69,038)	-
2029	<u>(6,613)</u>	<u>-</u>
	<u>\$ 404,957</u>	<u>\$ 333,445</u>

NOTE 8 - 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 9 - JOINT VENTURE

The Village, together with the Townships of Almena, 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 (\$135,417 as of February 28, 2025).

NOTE 10 - PROPERTY TAXES

The 2024 taxable valuation of the Village approximated \$102,844,000, on which ad valorem taxes levied consisted of 10.6927 mills for operating purposes, 4.2767 mills for municipal streets and 1.4809 mills for recreation and culture, raising approximately \$954,000 for operating purposes, \$381,000 for municipal streets and \$132,000 for recreation and culture net of any related captures. These amounts are recognized in the respective fund financial statements as property tax revenue.

NOTE 11 - 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 12 - CONSTRUCTION CODE ACT

A summary of construction code enforcement transactions, in accordance with Michigan PA 245 of 1999, for the year ended February 28, 2025, is as follows:

Cumulative excess revenues, beginning of year	<u>\$ 22,187</u>
Revenues	\$ 67,417
Expenses	<u>98,961</u>
Excess of expenses over revenues	<u>\$ (31,544)</u>
Cumulative excess revenues, end of year	<u>\$ (9,357)</u>

NOTE 13 - RESTRICTED NET POSITION

In the governmental funds balance sheet, the governmental funds report restricted net position, in the amount of \$4,726,630, which is restricted by enabling legislation for public works expenditures (\$3,389,596), public safety (\$27,804) and recreation and culture (\$1,168,060).

NOTE 14 - IMPLEMENTATION OF GASB STATEMENT NO. 100 – CHANGES IN REPORTING ENTITY

Effective for the fiscal year ending February 28, 2025, the Village has implemented GASB Statement No. 100, which provides updated guidance on accounting changes and error corrections, including changes to or within the financial reporting entity.

A change in the reporting entity occurs when there is a modification to the composition of the entity’s financial statements due to events such as the addition or removal of component units, changes in fund structure, or shifts in financial accountability. As required by GASB 100, these changes have been reflected by adjusting the beginning balances of the current period rather than restating prior periods.

For the fiscal year 2025, the following changes in the reporting entity have been recognized:

	<u>Natural Waterway</u>	<u>Nonmajor Governmental funds</u>
Net position, beginning of year, as previously reported	\$ -	\$ 1,339,378
Change within the reporting entity		
Change from nonmajor to major	<u>739,999</u>	<u>(739,999)</u>
Net position, beginning of year, as restated	<u>\$ 739,999</u>	<u>\$ 599,379</u>

The impact of these changes has been disclosed in the reconciliation of beginning balances, ensuring transparency and comparability for financial statement users.

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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 Village is currently evaluating the impact this standard will have on the financial statements when adopted during the 2026 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 Village is currently evaluating the impact this standard will have on the financial statements when adopted during the 2026 fiscal year.

The Governmental Accounting Standards Board (GASB) issued Statement No. 104, *Disclosure of Certain Capital Assets*, in September 2024. This statement is effective for fiscal years beginning after June 15, 2025. The requirements of this statement will enhance the financial reporting model by providing users of government financial statements with essential information about certain types of capital assets. This includes separate disclosure of lease assets, intangible right-to-use assets, subscription-based IT assets, and other intangible assets by major class. Additionally, capital assets held for sale must be evaluated each reporting period and disclosed separately. The Village is currently evaluating the impact this standard will have on the financial statements when adopted during the 2027 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended February 28, 2025

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes				
Taxes	\$ 953,950	\$ 962,628	\$ 953,700	\$ (8,928)
Payments in lieu of taxes	81,510	116,247	127,568	11,321
Other	<u>3,600</u>	<u>5,957</u>	<u>8,937</u>	<u>2,980</u>
Total taxes	<u>1,039,060</u>	<u>1,084,832</u>	<u>1,090,205</u>	<u>5,373</u>
Licenses and permits				
Franchise fees	30,000	27,928	33,508	5,580
Inspection permits	<u>80,000</u>	<u>67,500</u>	<u>67,417</u>	<u>(83)</u>
Total licenses and permits	<u>110,000</u>	<u>95,428</u>	<u>100,925</u>	<u>5,497</u>
State grants				
State shared revenue	447,428	433,541	440,910	7,369
Public safety grants	33,615	93,769	93,770	1
Local community stabilization	<u>77,000</u>	<u>78,255</u>	<u>43,474</u>	<u>(34,781)</u>
Total state grants	<u>558,043</u>	<u>605,565</u>	<u>578,154</u>	<u>(27,411)</u>
Charges for services - downtown dumpsters	<u>17,000</u>	<u>18,201</u>	<u>18,201</u>	<u>-</u>
Fines and forfeitures - ordinance infractions	<u>15,600</u>	<u>12,938</u>	<u>14,788</u>	<u>1,850</u>
Interest and rentals				
Interest	25,000	105,128	111,860	6,732
Rentals	<u>1,500</u>	<u>4,158</u>	<u>4,158</u>	<u>-</u>
Total interest and rentals	<u>26,500</u>	<u>109,286</u>	<u>116,018</u>	<u>6,732</u>
Other	<u>19,100</u>	<u>43,659</u>	<u>43,632</u>	<u>(27)</u>
Total revenues	<u>1,785,303</u>	<u>1,969,909</u>	<u>1,961,923</u>	<u>(7,986)</u>

BUDGETARY COMPARISON SCHEDULE - General Fund (continued)

Year ended February 28, 2025

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
EXPENDITURES				
Current:				
General government				
General administration	\$ 170,445	\$ 143,103	\$ 143,709	\$ (606)
Public safety				
Police	1,272,468	1,008,122	997,333	10,789
Inspections	103,242	100,200	99,720	480
Total public safety	<u>1,375,710</u>	<u>1,108,322</u>	<u>1,097,053</u>	<u>11,269</u>
Public works - department of public works	<u>236,335</u>	<u>260,460</u>	<u>257,410</u>	<u>3,050</u>
Recreation and culture	<u>2,720</u>	<u>3,335</u>	<u>3,333</u>	<u>2</u>
Community and economic development				
Planning	<u>31,214</u>	<u>38,208</u>	<u>44,445</u>	<u>(6,237)</u>
Capital outlay	<u>52,500</u>	<u>57,800</u>	<u>49,783</u>	<u>8,017</u>
Total expenditures	<u>1,868,924</u>	<u>1,611,228</u>	<u>1,595,733</u>	<u>15,495</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(83,621)	358,681	366,190	7,509
OTHER FINANCING USES				
Transfers out	-	-	(14,861)	(14,861)
Net other financing uses	-	-	(14,861)	(14,861)
NET CHANGE IN FUND BALANCE	(83,621)	358,681	351,329	(7,352)
FUND BALANCE - BEGINNING	<u>1,308,342</u>	<u>1,308,342</u>	<u>1,308,342</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,224,721</u>	<u>\$ 1,667,023</u>	<u>\$ 1,659,671</u>	<u>\$ (7,352)</u>

BUDGETARY COMPARISON SCHEDULE - Municipal Street Fund

Year ended February 28, 2025

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes				
Taxes	\$ 369,000	\$ 369,000	\$ 381,443	\$ 12,443
County levy	<u>70,450</u>	<u>57,325</u>	<u>45,580</u>	<u>(11,745)</u>
Total taxes	<u>439,450</u>	<u>426,325</u>	<u>427,023</u>	<u>698</u>
State grants - local community stabilization	<u>-</u>	<u>14,006</u>	<u>25,836</u>	<u>11,830</u>
Interest	<u>10,000</u>	<u>41,250</u>	<u>40,941</u>	<u>(309)</u>
Total revenues	<u>449,450</u>	<u>481,581</u>	<u>493,800</u>	<u>12,219</u>
EXPENDITURES				
Current:				
Public works - streets	<u>138,153</u>	<u>153,770</u>	<u>157,434</u>	<u>(3,664)</u>
EXCESS OF REVENUES OVER EXPENDITURES	311,297	327,811	336,366	8,555
OTHER FINANCING USES				
Transfers out	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(188,703)	(172,189)	(163,634)	8,555
FUND BALANCE - BEGINNING	<u>1,201,586</u>	<u>1,201,586</u>	<u>1,201,586</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,012,883</u>	<u>\$ 1,029,397</u>	<u>\$ 1,037,952</u>	<u>\$ 8,555</u>

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended February 28, 2025

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
State grants	\$ 327,500	\$ 361,882	\$ 364,982	\$ 3,100
Interest	<u>15,000</u>	<u>54,000</u>	<u>55,592</u>	<u>1,592</u>
Total revenues	<u>342,500</u>	<u>415,882</u>	<u>420,574</u>	<u>4,692</u>
EXPENDITURES				
Current:				
Public works				
Routine maintenance	594,523	471,182	463,700	7,482
Winter maintenance	29,230	45,900	46,658	(758)
Administration	<u>350</u>	<u>550</u>	<u>553</u>	<u>(3)</u>
Total public works	<u>624,103</u>	<u>517,632</u>	<u>510,911</u>	<u>6,721</u>
NET CHANGE IN FUND BALANCE	(281,603)	(101,750)	(90,337)	11,413
FUND BALANCE - BEGINNING	<u>1,591,292</u>	<u>1,591,292</u>	<u>1,591,292</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,309,689</u>	<u>\$ 1,489,542</u>	<u>\$ 1,500,955</u>	<u>\$ 11,413</u>

BUDGETARY COMPARISON SCHEDULE - Natural Waterways Fund

Year ended February 28, 2025

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Federal grants	\$ -	\$ -	\$ 45,085	\$ 45,085
State grants	2,503,020	903,020	147,275	(755,745)
Other - insurance proceeds	-	18,643	18,643	-
Total revenues	<u>2,503,020</u>	<u>921,663</u>	<u>211,003</u>	<u>(710,660)</u>
EXPENDITURES				
Current:				
Recreation and culture:				
Natural waterways	<u>2,640,505</u>	<u>351,920</u>	<u>282,833</u>	<u>69,087</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(137,485)	569,743	(71,830)	(641,573)
OTHER FINANCING SOURCES				
Transfers in	<u>300,000</u>	<u>300,000</u>	<u>314,861</u>	<u>14,861</u>
NET CHANGE IN FUND BALANCE	162,515	869,743	243,031	(626,712)
FUND BALANCE - BEGINNING	<u>739,999</u>	<u>739,999</u>	<u>739,999</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 902,514</u>	<u>\$ 1,609,742</u>	<u>\$ 983,030</u>	<u>\$ (626,712)</u>

Village of Paw Paw

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

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>
Total pension liability:										
Service cost	\$ 196,318	\$ 231,635	\$ 220,293	\$ 192,081	\$ 218,224	\$ 234,429	\$ 210,403	\$ 216,932	\$ 213,350	\$ 201,342
Interest	943,003	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	(497,873)	(4,595)	138,545	8,310	(35,697)	(110,594)	(211,524)	104,698	264,030	-
Changes in assumptions	84,914	-	419,958	237,065	275,828	-	-	-	373,920	-
Benefit payments, including refunds	(929,895)	(845,879)	(790,981)	(678,925)	(662,346)	(632,257)	(636,387)	(560,496)	(482,790)	(457,208)
Other changes	(93,763)	(105,866)	169,748	(89,771)	(56,665)	(52,897)	(6,319)	15,233	(81,138)	(21,172)
Net change in total pension liability	(297,296)	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	<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>	<u>8,122,080</u>
Total pension liability, end of year	<u>\$12,273,340</u>	<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	\$ 409,622	\$ 350,421	\$ 383,935	\$ 349,012	\$ 391,469	\$ 264,812	\$ 290,615	\$ 282,876	\$ 172,811	\$ 207,839
Contributions - employee	110,702	127,539	134,600	115,425	131,869	133,680	138,554	138,167	122,849	108,641
Net investment income (loss)	637,685	887,818	(977,623)	1,184,970	981,462	935,346	(287,979)	889,657	704,573	(96,079)
Benefit payments, including refunds	(929,895)	(845,879)	(790,981)	(678,925)	(662,346)	(632,257)	(636,387)	(560,496)	(482,790)	(457,208)
Administrative expenses	(18,851)	(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	209,263	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	<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>	<u>6,452,674</u>
Plan fiduciary net position, end of year	<u>\$ 8,844,327</u>	<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>\$ 3,429,013</u>	<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	72.06%	68.69%	65.74%	82.67%	77.51%	73.63%	68.54%	74.51%	70.71%	72.92%
Covered payroll	\$ 1,438,126	\$ 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	238.44%	235.87%	256.09%	133.38%	148.16%	155.99%	200.26%	153.64%	169.36%	147.46%

Village of Paw Paw

SCHEDULE OF VILLAGE PENSION CONTRIBUTIONS

Last Ten Fiscal Years

	<u>2025</u>	<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>
Actuarially determined contributions	\$ 424,717	\$ 375,670	\$ 385,773	\$ 354,077	\$ 361,855	\$ 268,247	\$ 298,147	\$ 247,370	\$ 171,970	\$ 213,052
Contributions in relation to the actuarially determined contributions	<u>424,717</u>	<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>
Contribution excess/(deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$40,276.00</u>	<u>\$ -</u>
Covered payroll	<u>\$1,438,126</u>	<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>
Contributions as a percentage of covered payroll	29.53%	22.51%	23.31%	23.96%	21.89%	18.20%	18.77%	14.93%	12.94%	13.64%

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	7.18%, 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%

PAW PAW VILLAGE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED FEBRUARY 28, 2025

NOTE 1 - PENSION PLAN

Actuarial valuation information relative to the determination of contributions:

Valuation date: December 31, 2023

Measurement date: December 31, 2023

Change in Assumptions

Plan Year

2024 Change in discount rate from 7.25% to 7.18%

Investment rate of return was lowered from 7.00% to 6.93% net of administrative and investment expenses.

2022 Mortality rates were updated to be based on the Pub-2010 mortality tables.

2021 Increased in merit and longevity pay assumptions.

2020 Salary increase was decreased from 3.75% to 3.00%

Discount rate was lowered from 8.00% to 7.60%

Investment rate of return was lowered from 7.75% to 7.35% net of administrative and investment expense

2016 Mortality rates were updated to be based on the Pub-2014 group mortality tables.

Salary increase was decreased from 4.50% to 3.75%

Discount rate was lowered from 8.25% to 8.00%

Investment rate of return was lowered from 8.00% to 7.75%, net of administrative and investment expense

Changes in Benefits

There were no changes in benefits in the past 10 plan years.

OTHER SUPPLEMENTARY INFORMATION

Village of Paw Paw

COMBINING BALANCE SHEET - nonmajor governmental funds

February 28, 2025

	<i>Special revenue funds</i>				<i>Totals</i>
	<i>Local Street</i>	<i>Police</i>	<i>Parks</i>	<i>Wine and Harvest Festival</i>	
ASSETS					
Cash	\$ 847,761	\$ 14,840	\$ 132,056	\$ 51,055	\$ 1,045,712
Due from other governments	24,015	-	-	-	24,015
Taxes receivable	-	12,964	6,429	-	19,393
Prepays	2,284	-	631	-	2,915
	<u>2,284</u>	<u>-</u>	<u>631</u>	<u>-</u>	<u>2,915</u>
Total assets	<u>\$ 874,060</u>	<u>\$ 27,804</u>	<u>\$ 139,116</u>	<u>\$ 51,055</u>	<u>\$ 1,092,035</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 15,698	\$ -	\$ 906	\$ 1,337	\$ 17,941
Unearned revenue	-	-	-	-	-
Accrued payroll	1,455	-	501	862	2,818
	<u>1,455</u>	<u>-</u>	<u>501</u>	<u>862</u>	<u>2,818</u>
Total liabilities	<u>17,153</u>	<u>-</u>	<u>1,407</u>	<u>2,199</u>	<u>20,759</u>
Fund balances:					
Nonspendable - prepaids	2,284	-	631	-	2,915
Restricted for:					
Public safety	-	27,804	-	-	27,804
Public works	854,623	-	-	-	854,623
Recreation and culture	-	-	137,078	48,856	185,934
	<u>-</u>	<u>-</u>	<u>137,078</u>	<u>48,856</u>	<u>185,934</u>
Total fund balances	<u>856,907</u>	<u>27,804</u>	<u>137,709</u>	<u>48,856</u>	<u>1,071,276</u>
Total liabilities and fund balance	<u>\$ 874,060</u>	<u>\$ 27,804</u>	<u>\$ 139,116</u>	<u>\$ 51,055</u>	<u>\$ 1,092,035</u>

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

Year ended February 28, 2025

	<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>	
REVENUES						
Taxes	\$ -	\$ -	\$ 132,004	\$ -	\$ -	\$ 132,004
Special assessments	-	286,631	-	-	-	286,631
State grants	150,168	-	8,946	-	-	159,114
Federal grants	-	-	-	-	-	-
Local grants	-	-	-	-	11,750	11,750
Charges for services	-	-	-	-	64,963	64,963
Interest and rentals	20,064	2,686	5,194	-	17,822	45,766
Other	188	-	500	-	63,611	64,299
Total revenues	170,420	289,317	146,644	-	158,146	764,527
EXPENDITURES						
Current:						
Public safety	-	276,334	-	-	-	276,334
Public works	258,935	-	-	-	-	258,935
Recreation and culture	-	-	99,159	-	158,202	257,361
Total expenditures	258,935	276,334	99,159	-	158,202	792,630
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(88,515)	12,983	47,485	-	(56)	(28,103)
OTHER FINANCING SOURCES						
Transfers in	500,000	-	-	-	-	500,000
Transfers out	-	-	-	-	-	-
Total other financing sources	500,000	-	-	-	-	500,000
NET CHANGES IN FUND BALANCES	411,485	12,983	47,485	-	(56)	471,897
FUND BALANCES - BEGINNING, as previously reported	445,422	14,821	90,224	739,999	48,912	1,339,378
Adjustment - changes from nonmajor fund to major fund	-	-	-	(739,999)	-	(739,999)
FUND BALANCES - BEGINNING, as restated	445,422	14,821	90,224	-	48,912	599,379
FUND BALANCES - ENDING	\$ 856,907	\$ 27,804	\$ 137,709	\$ -	\$ 48,856	\$ 1,071,276

BALANCE SHEET - Component Unit

February 28, 2025

	<u>Downtown Development Authority</u>
ASSETS	
Cash	\$ 362,214
Accounts receivable	463
Property taxes receivable	372,012
Prepays	<u>2,235</u>
Total assets	<u><u>\$ 736,924</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 16,344
Accrued payroll	<u>2,363</u>
Total liabilities	18,707
Fund balance:	
Nonspendable - prepaids	2,235
Unassigned	<u>715,982</u>
Total fund balance	<u>718,217</u>
Total liabilities and fund balance	<u><u>\$ 736,924</u></u>
Total fund balance	\$ 718,217
Amounts reported for the <i>component unit</i> in the statement of net position (page 14) are different because:	
Capital assets used by the <i>component unit</i> are not financial resources and, therefore, are not reported in the funds.	
	106,593
Deferred outflows and inflows of resources:	
Deferred outflows of resources - pension	13,472
Deferred inflows of resources - pension	(8,836)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund.	
Compensated absences	(2,377)
Net pension liability	<u>(90,869)</u>
Net position of the <i>component unit</i>	<u><u>\$ 736,200</u></u>

Village of Paw Paw

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

Component Unit

Year ended February 28, 2025

	<u>Downtown Development Authority</u>
REVENUES	
Property taxes	\$ 349,337
Interest and rentals	<u>29,088</u>
Total revenues	<u>378,425</u>
EXPENDITURES	
Current - community and economic development	304,863
Capital outlay	<u>4,040</u>
Total expenditures	<u>308,903</u>
NET CHANGES IN FUND BALANCE	69,522
FUND BALANCE - BEGINNING	<u>648,695</u>
FUND BALANCE - ENDING	<u><u>\$ 718,217</u></u>
Net change in fund balance	\$ 69,522
Amounts reported for the <i>component unit</i> in the statement of activities (page 15) are different because:	
Capital assets:	
Add - asset acquisitions	-
Deduct - depreciation provision	(8,729)
Changes in deferred outflows and inflows of resources:	
Net decrease in deferred outflows of resources - pension	(4,135)
Net increase in deferred inflows of resources - pension	(8,761)
Long term liabilities:	
Decrease in compensated absences	179
Decrease in net pension liability	<u>5,551</u>
Change in net position of <i>component unit</i>	<u><u>\$ 53,627</u></u>

BUDGETARY COMPARISON SCHEDULE - Component Unit

Year ended February 28, 2025

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 310,000	\$ 305,445	\$ 349,337	\$ 43,892
Interest and rentals	17,200	29,200	29,088	(112)
Total revenues	<u>327,200</u>	<u>334,645</u>	<u>378,425</u>	<u>43,780</u>
EXPENDITURES				
Current: Community and economic development	336,806	291,783	304,863	(13,080)
Capital outlay	40,500	4,040	4,040	-
Total expenditures	<u>377,306</u>	<u>295,823</u>	<u>308,903</u>	<u>(13,080)</u>
NET CHANGE IN FUND BALANCE	(50,106)	38,822	69,522	30,700
FUND BALANCE - BEGINNING	<u>648,695</u>	<u>648,695</u>	<u>648,695</u>	-
FUND BALANCE - ENDING	<u>\$ 598,589</u>	<u>\$ 687,517</u>	<u>\$ 718,217</u>	<u>\$ 30,700</u>