

Village of Middleville
Barry County, Michigan

FINANCIAL STATEMENTS

Year ended December 31, 2019

INDEPENDENT AUDITOR'S REPORT	3 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 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
Notes to financial statements	23 - 43
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	44 - 45
Major Street Fund	46
Local Street Fund	47
Schedule of changes in the Village's net pension liability and related ratios	48
Schedule of Village pension contributions	49
Schedule of changes in the Village's net OPEB liability and related ratios	50
Schedule of Village OPEB contributions	51
SUPPLEMENTARY INFORMATION	
Combining statement of net position - internal service funds	52
Combining statement of revenues, expenses, and changes in net position - internal service funds	53
Combining statement of cash flows - internal service funds	54 - 55
Balance sheet - component units	56
Statement of revenues, expenditures, and changes in fund balances - component units	57
Budgetary comparison schedules:	
Local Development Finance Authority	58
Downtown Development Authority	59
Schedules of debt retirement and annual interest requirements	60 - 70

INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Middleville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Middleville, Michigan, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, as listed in the contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Middleville, Michigan, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required supplementary information

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

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Middleville, Michigan's financial statements as a whole. The combining internal service fund financial statements, combining component units' fund financial statements, individual component units' budgetary comparison schedules, and the schedules of debt retirement and annual interest requirements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining internal service fund financial statements, the combining component units' fund financial statements and individual component units' budgetary comparison schedules, and the schedules of debt retirement and annual interest requirements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Siegfried Crandall P.C.

May 8, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Village of Middleville's (the Village) financial performance provides a narrative overview of the Village's financial activities for the fiscal year ended December 31, 2019. Please read it in conjunction with the Village's financial statements.

FINANCIAL HIGHLIGHTS

- Net position is the amount by which the Village's assets exceeded its liabilities. Net position totaled \$17,665,742 at December 31, 2019. The unrestricted portion of this amount, \$2,326,914 (13 percent), is available to be used to meet the Village's ongoing obligations to citizens and creditors.
- The Village's total net position increased by \$634,217 (4 percent) as a result of this year's activities. The net position of the governmental activities increased by \$175,143, and the net position of the business-type activities increased by \$459,074.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$758,383, which represents 52 percent of the actual total General Fund expenditures for the current fiscal year.
- The Village's operating millage is 12.5 mills. The Village has allocated 10.5 mills to the General Fund and 2.0 mills to the Major Street Fund, which will provide additional funding for major street infrastructure needs.
- The Village's multi-year utility rate increase policy for commodity charges keeps the utility fund revenues steady and avoids large increases all at once. The continued policy of new development paying for public water and sewer improvements allows the remaining resources to be used for repair and replacement of existing off-site infrastructure that serves these new developments.

Overview of the financial statements

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Village government, reporting the Village's operations in more detail than the government-wide financial statements.
 - Governmental funds statements explain how general government services, like 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 and water systems.

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 2019 and 2018 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, and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

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

The government-wide financial statements are divided into 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 are reported here.
- *Component units* - The Village includes two other entities in its report - the Local Development Finance Authority and the Downtown Development Authority. Although legally separate, these "component units" are important because the Village is financially accountable for them.

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) to show that it is properly using certain revenues (like motor fuel taxes collected for the street funds).

The Village has two types of funds:

- *Governmental funds*. Most of the Village's basic services are included in its governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.

The General Fund is the primary and most diverse governmental fund. The General Fund accounts for general administration, accounting, planning and zoning, parks and recreation, sidewalks, and other general government activities. Law enforcement is also accounted for in this fund.

The Major (6.4 miles) and Local (10.82 miles) Street funds account for improvements to, and preservation of, the 17.22 miles of streets in the Village.

- *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. In fact, 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 Sewer Fund records revenues from charges to the sewer customers and receipts in the form of connection fees made by developers that pay for the maintenance of the sewer system and wastewater treatment plant.

The Water Fund records revenues from charges to the water customers and receipts from developers in the form of connection fees to pay for the maintenance of the water system, wells, a tower, and two booster stations.

The Village uses internal service funds (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 funds include the Motor Vehicle Equipment Fund and the OPEB Fund. The Motor Vehicle Equipment Fund rents a fleet of equipment to the other funds, at rates established by the State, and the OPEB Fund is being used to fund costs of the Village's other post-employment benefits.

Component units

The Local Development Finance Authority and the Downtown Development Authority, although legally separate, are included in the Village's financial report because the Village is financially accountable for them.

The Local Development Finance Authority (LDFA) was created by the Village to capture property taxes from certain taxing units from a specific district within the Village to finance public improvements to that district. This entity has completed most of its plan by renovating the streets that serve its district.

The Downtown Development Authority (DDA) was also created by the Village to capture property taxes from certain taxing units from a specific district within the Village to finance public improvements to that district.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$17,665,742 compared to \$17,031,525 at the end of the prior year. Of this total, \$13,735,207 represents the net investment in capital assets and \$1,603,621 is restricted for various purposes. Consequently, unrestricted net position was \$2,326,914, or 13 percent of the total.

Condensed financial information

Net position

	Governmental activities		Business-type activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 2,145,836	\$ 1,538,785	\$ 3,579,388	\$ 3,113,197	\$ 5,725,224	\$ 4,651,982
Capital assets	<u>8,643,349</u>	<u>8,913,617</u>	<u>8,051,656</u>	<u>8,202,430</u>	<u>16,695,005</u>	<u>17,116,047</u>
Total assets	<u>10,789,185</u>	<u>10,452,402</u>	<u>11,631,044</u>	<u>11,315,627</u>	<u>22,420,229</u>	<u>21,768,029</u>
Deferred outflows of resources	<u>166,710</u>	<u>60,206</u>	<u>68,424</u>	<u>24,421</u>	<u>235,134</u>	<u>84,627</u>
Current and other liabilities	<u>1,491,129</u>	<u>1,046,733</u>	<u>538,694</u>	<u>496,129</u>	<u>2,029,823</u>	<u>1,542,862</u>
Long-term debt	<u>976,731</u>	<u>1,127,723</u>	<u>1,983,067</u>	<u>2,113,890</u>	<u>2,959,798</u>	<u>3,241,613</u>
Total liabilities	<u>2,467,860</u>	<u>2,174,456</u>	<u>2,521,761</u>	<u>2,610,019</u>	<u>4,989,621</u>	<u>4,784,475</u>
Deferred inflows of resources	<u>-</u>	<u>25,260</u>	<u>-</u>	<u>11,396</u>	<u>-</u>	<u>36,656</u>
Net position:						
Net investment in capital						
assets	<u>7,666,618</u>	<u>7,785,894</u>	<u>6,068,589</u>	<u>6,088,540</u>	<u>13,735,207</u>	<u>13,874,434</u>
Restricted	<u>1,040,983</u>	<u>761,757</u>	<u>562,638</u>	<u>535,370</u>	<u>1,603,621</u>	<u>1,297,127</u>
Unrestricted (deficit)	<u>(219,566)</u>	<u>(234,759)</u>	<u>2,546,480</u>	<u>2,094,723</u>	<u>2,326,914</u>	<u>1,859,964</u>
Total net position	<u>\$ 8,488,035</u>	<u>\$ 8,312,892</u>	<u>\$ 9,177,707</u>	<u>\$ 8,718,633</u>	<u>\$ 17,665,742</u>	<u>\$ 17,031,525</u>

Changes in net position

The Village's total revenues were \$3,604,046 in the current year compared to \$3,259,491 in the prior year. Approximately 41 percent of the Village's revenues comes from public utility charges for services, while property taxes represent 31 percent of the total. Operating grants accounted for about 17 percent of the total revenues in the current year.

The total cost of the Village's programs for the current year, covering a wide range of services, totaled \$2,969,829 compared to \$2,860,513 in the prior year. Approximately 32 percent of the Village's costs relates to the provision of utility services. Governmental public works expenses represent 26 percent of all costs, while general government expenses account for 16 percent of the total costs.

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>	
	2019	2018	2019	2018	2019	2018
Program revenues:						
Charges for services	62,815	48,993	1,423,875	1,244,243	1,486,690	1,293,236
Grants and contributions:						
Operating grants	604,690	436,273	-	-	604,690	436,273
Capital grants	19,018	155,509	-	-	19,018	155,509
General revenues:						
Property taxes	1,120,667	1,051,018	-	-	1,120,667	1,051,018
State shared revenue	317,585	303,948	-	-	317,585	303,948
Interest	20,737	19,507	34,659	-	55,396	19,507
Total revenues	<u>2,145,512</u>	<u>2,015,248</u>	<u>1,458,534</u>	<u>1,244,243</u>	<u>3,604,046</u>	<u>3,259,491</u>
Expenses:						
General government	466,036	479,852	-	-	466,036	479,852
Public safety	275,462	296,631	-	-	275,462	296,631
Public works	763,618	794,115	-	-	763,618	794,115
Community and economic development	333,446	96,192	-	-	333,446	96,192
Recreation and culture	147,950	173,258	-	-	147,950	173,258
Interest	26,697	41,224	-	-	26,697	41,224
Sewer	-	-	585,283	574,275	585,283	574,275
Water	-	-	371,337	404,966	371,337	404,966
Total expenses	<u>2,013,209</u>	<u>1,881,272</u>	<u>956,620</u>	<u>979,241</u>	<u>2,969,829</u>	<u>2,860,513</u>
Excess before transfers	132,303	133,976	501,914	265,002	634,217	398,978
Transfers	42,840	42,840	(42,840)	(42,840)	-	-
Changes in net position	<u>\$ 175,143</u>	<u>\$ 176,816</u>	<u>\$ 459,074</u>	<u>\$ 222,162</u>	<u>\$ 634,217</u>	<u>\$ 398,978</u>
Net position, end of year	<u>\$ 8,488,035</u>	<u>\$ 8,312,892</u>	<u>\$ 9,177,707</u>	<u>\$ 8,718,633</u>	<u>\$ 17,665,742</u>	<u>\$ 17,031,525</u>

Governmental activities

Governmental revenues exceeded expenses during each of the past two years, causing the Village's net position to increase by \$175,143 in the current year and \$176,816 in the prior year. While expenses increased by \$131,937, revenues also increased by \$130,264.

Revenues increased primarily because operating grant revenues increased by \$168,417, related to a grant that supported a building renovation project in the Village. Expenses increased primarily due to a \$237,254 increase in community and economic development costs, which were also related to the building renovation project.

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 \$2,013,209. After subtracting the direct charges to those who directly benefited from the programs (\$62,815), operating grants (\$604,690), and capital grants and contributions (\$19,018), the "public benefit" portion covered by property taxes, state revenue sharing, and other general revenues was \$1,326,686.

	<i>Total cost of services</i>	<i>Net cost of services</i>
Public works	\$ 763,618	\$ (354,543)
General government	453,625	(419,260)
Public safety	275,462	(250,601)
Community and economic development	345,857	(143,431)
Other	174,647	(158,851)
Totals	<u>\$ 2,013,209</u>	<u>\$ (1,326,686)</u>

Business-type activities

Business-type activities increased the Village's net position by \$459,074 in the current year compared to an increase of \$222,162 in the prior year. The increases in each of the past two years indicate that rates have been set to fully cover both operating and debt service costs.

The increase in net position was higher in the current year, as revenues increased by \$214,291, and expenses decreased by \$22,621. The increase in revenues was primarily due to an increase in utility charges that generated an additional \$179,632 in revenue. Expenses declined in the current year as the prior year included substantial personnel costs related to the recognition of the OPEB liability in the prior year.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Governmental funds

As of December 31, 2019, the Village's governmental funds, in total, reported total fund balances of \$1,818,688, which represents an increase of \$439,805 compared to last year's total.

The General Fund experienced an increase in fund balance of \$164,990 and has a fund balance of \$802,282 at the end of the year; however, portions of the fund balance are nonspendable and restricted, totaling \$19,322 and \$24,577, respectively. Unassigned fund balance amounts to \$758,383 at year end, which represents approximately 52 percent of current year expenditures.

The Major Street Fund experienced an increase in fund balance of \$174,482. The increase in fund balance occurred because current year resources of \$465,420, which included property taxes (\$178,799) and state grants (\$280,612), exceeded expenditures of \$200,938 and a transfer to the Local Street Fund of \$90,000. The Fund has a fund balance of \$603,909 at the end of the year that is restricted by enabling legislation for major street maintenance and improvements.

The Local Street Fund experienced an increase in fund balance of \$100,333. The increase in fund balance occurred because the Fund received a \$90,000 transfer from the Major Street Fund that will be used for future street improvements. The Fund has a fund balance of \$412,497 at the end of the year that is restricted by enabling legislation for local street maintenance and improvements.

Enterprise funds

The Sewer Fund experienced an operating loss of \$35,693 and net nonoperating expenses of \$13,264 in the current year. A transfer to the General Fund, in the amount of \$42,840, also reduced the fund's equity. However, capital contributions in the amount of \$359,674, allowed an increase in net position of \$267,877. The fund's net position is \$6,601,284 at December 31, 2019, of which \$1,826,589 is unrestricted.

The Water Fund generated operating income of \$13,856 in the current year. Capital contributions, in the amount of \$168,665, exceeded net nonoperating expenses of \$10,095, so that the net position increased by \$172,426. The fund's net position is \$2,418,595 at December 31, 2019, of which \$562,063 is unrestricted.

Internal service funds

The Motor Vehicle Equipment Fund (MVEF) pays for its annual operational expenses by charging other funds for the use of its assets. The Village has compiled a Capital Improvement Plan (CIP) so that major purchases can be scheduled over time.

The OPEB Fund, which receives contributions from the Village's other funds, accounts for the funding of other post-employment benefit costs.

General Fund budgetary highlights

The Village did not amend budgeted revenues during the current year. Total actual revenues were \$121,619 less than budgeted as federal grant revenue, related to a building renovation project, was \$150,424 less than planned as the project was not completed during the year.

The Village did not amend its expenditure budget during the current year. Total expenditures were \$285,447 less than the amounts appropriated, primarily because community and economic development expenditures were \$168,699 less than budgeted, as the building renovation project was not completed as planned.

The fund experienced a \$164,990 increase in fund balance compared to a budgeted increase of \$1,162.

CAPITAL ASSETS AND DEBT ADMINISTRATION**Capital assets**

The Village's investment in capital assets for its governmental and business-type activities as of December 31, 2019, amounts to \$16,695,005 (net of accumulated depreciation). This investment includes a broad range of assets, including land, equipment, buildings, and sewer and water facilities. The decrease in the Village's net investment in capital assets for the current fiscal year was \$421,042, comprised of \$204,504 in additions and \$625,546 in provisions for depreciation.

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
Infrastructure	\$ 5,447,094	\$ 7,818,039	\$ 13,265,133
Buildings and improvements	2,101,652	-	2,101,652
Equipment	235,243	90,468	325,711
Land	859,360	143,149	1,002,509
Totals	<u>\$ 8,643,349</u>	<u>\$ 8,051,656</u>	<u>\$ 16,695,005</u>

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

- Completed the purchase of a dump truck with a current year payment of \$74,827
- Street improvements were made at a cost of \$23,500
- Sewer system improvements amounted to \$86,507
- Water system improvements amounted to \$13,226

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

Debt

At the end of the fiscal year, the Village had total long-term debt outstanding in the amount of \$2,959,798, which represents a decrease of \$281,815 related to timely principal payments. All debt is backed by the full faith and credit of the Village.

Other noncurrent obligations include accrued other postemployment benefits, in the amount of \$1,092,408, and a net pension liability, in the amount of \$626,800.

More detailed information about the Village's long-term liabilities is presented in Note 8 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Village Council has set fiscal accountability and financial stability as its number one priority. The Council continues their practice of tight fiscal controls, which includes continually monitoring sources and uses, asset management, energy use, and water and sewer rates, to be sure spending is in line with fiscal policies and financial stewardship.

The Village projects a slight increase in property tax revenue, anticipates increases in benefits and wages to employees, and will implement capital projects as funds allow.

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

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide 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:

Village of Middleville
Duane Weeks, Village Manager
100 East Main Street
Middleville, MI 49333-0069

Phone: (269) 795-3385

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

December 31, 2019

	Primary government			Component units	
	Governmental activities	Business-type activities	Totals	Local Development Finance Authority	Downtown Development Authority
ASSETS					
Current assets:					
Cash	\$ 2,054,287	\$ 3,060,206	\$ 5,114,493	\$ 2,108,297	\$ 215,060
Receivables	230,055	342,206	572,261	38,961	43,460
Prepaid expenses	19,322	2,409	21,731	-	-
Internal balances	(157,828)	157,828	-	-	-
Total current assets	2,145,836	3,562,649	5,708,485	2,147,258	258,520
Noncurrent assets:					
Receivables	-	16,739	16,739	-	-
Capital assets not being depreciated	859,360	143,149	1,002,509	-	-
Capital assets, net of depreciation	7,783,989	7,908,507	15,692,496	1,780,412	329,344
Total noncurrent assets	8,643,349	8,068,395	16,711,744	1,780,412	329,344
Total assets	10,789,185	11,631,044	22,420,229	3,927,670	587,864
DEFERRED OUTFLOWS OF RESOURCES					
Deferred pension amounts	166,710	68,424	235,134	-	-
LIABILITIES					
Current liabilities:					
Payables	135,550	48,674	184,224	4,934	29,265
Escrows	26,391	-	26,391	-	-
Unearned revenue	100,000	-	100,000	-	-
Bonds, contracts, and notes payable	131,370	140,821	272,191	65,904	-
Total current liabilities	393,311	189,495	582,806	70,838	29,265
Noncurrent liabilities:					
Other postemployment obligation, net	784,786	307,622	1,092,408	-	-
Net pension liability	444,402	182,398	626,800	-	-
Bonds, contracts, and notes payable	845,361	1,842,246	2,687,607	394,653	-
Total noncurrent liabilities	2,074,549	2,332,266	4,406,815	394,653	-
Total liabilities	2,467,860	2,521,761	4,989,621	465,491	29,265
NET POSITION					
Net investment in capital assets	7,666,618	6,068,589	13,735,207	1,319,855	329,344
Restricted:					
Public safety	24,577	-	24,577	-	-
Public works	1,016,406	-	1,016,406	-	-
Debt service	-	562,638	562,638	-	-
Unrestricted (deficit)	(219,566)	2,546,480	2,326,914	2,142,324	229,255
Total net position	\$ 8,488,035	\$ 9,177,707	\$ 17,665,742	\$ 3,462,179	\$ 558,599

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended December 31, 2019

Functions/Programs	Program revenues				Net (expenses) revenues and changes in net position				
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government			Component units	
					Governmental activities	Business-type activities	Totals	Local Development Finance Authority	Downtown Development Authority
Governmental activities:									
General government	\$ 466,036	\$ 34,365	\$ -	\$ -	\$ (431,671)		\$ (431,671)		
Public safety	275,462	20,450	4,411	-	(250,601)		(250,601)		
Public works	763,618	8,000	397,853	3,222	(354,543)		(354,543)		
Community and economic development	333,446	-	202,426	-	(131,020)		(131,020)		
Recreation and culture	147,950	-	-	15,796	(132,154)		(132,154)		
Interest on long-term debt	26,697	-	-	-	(26,697)		(26,697)		
Total governmental activities	2,013,209	62,815	604,690	19,018	(1,326,686)		(1,326,686)		
Business-type activities:									
Sewer	585,283	876,540	-	-		\$ 291,257	291,257		
Water	371,337	547,335	-	-		175,998	175,998		
Total business-type activities	956,620	1,423,875	-	-		467,255	467,255		
Total primary government	\$ 2,969,829	\$ 1,486,690	\$ 604,690	\$ 19,018	(1,326,686)	467,255	(859,431)		
Component units:									
Local Development Finance Authority	\$ 114,764	\$ -	\$ -	\$ -				\$ (114,764)	\$ -
Downtown Development Authority	136,446	16,023	-	-				-	(120,423)
Total component units	\$ 251,210	\$ 16,023	\$ -	\$ -				(114,764)	(120,423)
General revenues:									
Property taxes					1,120,667	-	1,120,667	297,664	164,306
Local community stabilization revenue					-	-	-	341,102	2,314
State shared revenue					317,585	-	317,585	-	-
Unrestricted interest earnings					20,737	34,659	55,396	22,058	3,644
Transfers					42,840	(42,840)	-	-	-
Total general revenues and transfers					1,501,829	(8,181)	1,493,648	660,824	170,264
Changes in net position					175,143	459,074	634,217	546,060	49,841
Net position - beginning					8,312,892	8,718,633	17,031,525	2,916,119	508,758
Net position - ending					\$ 8,488,035	\$ 9,177,707	\$ 17,665,742	\$ 3,462,179	\$ 558,599

See notes to financial statements

BALANCE SHEET - governmental funds

December 31, 2019

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total governmental funds</u>
ASSETS				
Cash	\$ 856,825	\$ 559,300	\$ 395,841	\$ 1,811,966
Receivables	162,814	50,340	16,901	230,055
Prepaid expenditures	19,322	-	-	19,322
Total assets	<u>\$ 1,038,961</u>	<u>\$ 609,640</u>	<u>\$ 412,742</u>	<u>\$ 2,061,343</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ 110,288	\$ 5,731	\$ 245	\$ 116,264
Unearned revenue	100,000	-	-	100,000
Escrow deposits	26,391	-	-	26,391
Total liabilities	<u>236,679</u>	<u>5,731</u>	<u>245</u>	<u>242,655</u>
Fund balances:				
Nonspendable - prepaids	19,322	-	-	19,322
Restricted for:				
Public safety	24,577	-	-	24,577
Public works	-	603,909	412,497	1,016,406
Unassigned	758,383	-	-	758,383
Total fund balances	<u>802,282</u>	<u>603,909</u>	<u>412,497</u>	<u>1,818,688</u>
Total liabilities and fund balances	<u>\$ 1,038,961</u>	<u>\$ 609,640</u>	<u>\$ 412,742</u>	<u>\$ 2,061,343</u>

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

Total fund balance - total governmental funds \$ 1,818,688

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. 8,195,446

Deferred outflows of resources, related to the pension plan, relate to future years, and, therefore, are not reported in the funds. 160,878

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

Bonds and notes payable	(900,234)
Other postemployment obligation, net	(757,257)
Net pension liability	(428,857)

Interest payable is not due and payable in the current period and, therefore, is not reported in the funds. (17,940)

Internal service funds are used by management to charge costs to individual funds. The assets and liabilities of the internal service funds are included in *governmental activities* in the statement of net position. 417,311

Net position of *governmental activities* \$ 8,488,035

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

Year ended December 31, 2019

	<i>General</i>	<i>Major Street</i>	<i>Local Street</i>	<i>Total governmental funds</i>
REVENUES				
Property taxes	\$ 955,688	\$ 178,799	\$ -	\$ 1,134,487
Licenses and permits	20,160	-	-	20,160
Federal grant	202,426	-	-	202,426
State grants	331,696	280,612	103,130	715,438
Intergovernmental	15,796	-	-	15,796
Interest and rentals	24,794	6,009	4,083	34,886
Other	8,375	-	-	8,375
Total revenues	<u>1,558,935</u>	<u>465,420</u>	<u>107,213</u>	<u>2,131,568</u>
EXPENDITURES				
Current:				
General government	390,158	-	-	390,158
Public safety	272,509	-	-	272,509
Public works	252,890	173,532	88,714	515,136
Community and economic development	313,990	-	-	313,990
Recreation and culture	95,048	-	-	95,048
Debt service:				
Principal	114,205	16,563	6,109	136,877
Interest	14,585	10,843	2,057	27,485
Total expenditures	<u>1,453,385</u>	<u>200,938</u>	<u>96,880</u>	<u>1,751,203</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>105,550</u>	<u>264,482</u>	<u>10,333</u>	<u>380,365</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	59,440	-	90,000	149,440
Transfers out	-	(90,000)	-	(90,000)
Net other financing sources (uses)	<u>59,440</u>	<u>(90,000)</u>	<u>90,000</u>	<u>59,440</u>
NET CHANGES IN FUND BALANCES	<u>164,990</u>	<u>174,482</u>	<u>100,333</u>	<u>439,805</u>
FUND BALANCES - BEGINNING	<u>637,292</u>	<u>429,427</u>	<u>312,164</u>	<u>1,378,883</u>
FUND BALANCES - ENDING	<u>\$ 802,282</u>	<u>\$ 603,909</u>	<u>\$ 412,497</u>	<u>\$ 1,818,688</u>

See notes to financial statements

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

Year ended December 31, 2019

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

Net change in fund balance - total governmental funds (page 17)	\$ 439,805
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Amounts reported for *governmental activities* in the statement of
activities (page 15) are different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the costs of those assets are allocated
over their estimated useful lives as depreciation expense.

Asset acquisitions	29,944
Provision for depreciation	(334,999)

Long-term debt:

Principal payments	136,877
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Changes in other assets/liabilities:

Net decrease in accrued interest expense	2,860
Net increase in other postemployment benefit obligation	(113,608)
Net increase in net pension liability	(192,554)

Changes in deferred outflows and inflows of resources:

Net increase in deferred outflows of resources related to pension	103,232
Net decrease in deferred inflows of resources related to pension	23,713

A portion of the net revenue of the internal service funds is reported
with *governmental activities*.

79,873

Change in net position of <i>governmental activities</i>	<u>\$ 175,143</u>
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STATEMENT OF NET POSITION - proprietary funds

December 31, 2019

	Business-type activities			Governmental activities
	Enterprise funds			Internal service
	Sewer	Water	Totals	
ASSETS				
Current assets:				
Cash	\$ 2,380,861	\$ 679,345	\$ 3,060,206	\$ 242,321
Receivables	221,942	120,264	342,206	-
Prepaid expenses	-	2,409	2,409	-
Total current assets	<u>2,602,803</u>	<u>802,018</u>	<u>3,404,821</u>	<u>242,321</u>
Noncurrent assets:				
Receivables	16,739	-	16,739	-
Capital assets not being depreciated	33,780	109,369	143,149	-
Capital assets, net of depreciation	<u>5,455,277</u>	<u>2,453,230</u>	<u>7,908,507</u>	<u>447,903</u>
Total noncurrent assets	<u>5,505,796</u>	<u>2,562,599</u>	<u>8,068,395</u>	<u>447,903</u>
Total assets	<u>8,108,599</u>	<u>3,364,617</u>	<u>11,473,216</u>	<u>690,224</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension amounts	<u>34,188</u>	<u>34,236</u>	<u>68,424</u>	<u>5,832</u>
LIABILITIES				
Current liabilities:				
Payables	19,665	29,009	48,674	1,346
Bonds, contracts, and notes payable - current portion	<u>67,250</u>	<u>73,571</u>	<u>140,821</u>	<u>14,491</u>
Total current liabilities	<u>86,915</u>	<u>102,580</u>	<u>189,495</u>	<u>15,837</u>
Noncurrent liabilities:				
Net pension liability	91,136	91,262	182,398	15,545
Other postemployment obligation, net	153,702	153,920	307,622	27,529
Bonds, contracts, and notes payable	<u>1,209,750</u>	<u>632,496</u>	<u>1,842,246</u>	<u>62,006</u>
Total noncurrent liabilities	<u>1,454,588</u>	<u>877,678</u>	<u>2,332,266</u>	<u>105,080</u>
Total liabilities	<u>1,541,503</u>	<u>980,258</u>	<u>2,521,761</u>	<u>120,917</u>
NET POSITION				
Net investment in capital assets	4,212,057	1,856,532	6,068,589	371,406
Restricted for debt service	562,638	-	562,638	-
Unrestricted	<u>1,826,589</u>	<u>562,063</u>	<u>2,388,652</u>	<u>203,733</u>
Total net position	<u>\$ 6,601,284</u>	<u>\$ 2,418,595</u>	<u>\$ 9,019,879</u>	<u>\$ 575,139</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>157,828</u>	
Net position of <i>business-type activities</i> (page 14)			<u>\$ 9,177,707</u>	

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

Year ended December 31, 2019

	<i>Business-type activities</i>			<i>Governmental activities</i>
	<i>Enterprise funds</i>			<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Totals</i>	
OPERATING REVENUES				
Charges for services:				
Utility charges	\$ 516,866	\$ 374,919	\$ 891,785	\$ -
Equipment rental	-	-	-	150,036
OPEB contributions	-	-	-	50,846
Other	-	3,751	3,751	190
Total operating revenues	516,866	378,670	895,536	201,072
OPERATING EXPENSES				
Personnel costs	118,253	122,107	240,360	4,403
Contracted services	148,013	63,213	211,226	-
Equipment and supplies	14,287	34,961	49,248	18,788
Utilities	75,259	49,745	125,004	15,640
Internal charges	15,259	21,420	36,679	-
OPEB payments	-	-	-	15,607
Miscellaneous	1,951	2,398	4,349	-
Depreciation	179,537	70,970	250,507	40,040
Total operating expenses	552,559	364,814	917,373	94,478
OPERATING INCOME (LOSS)	(35,693)	13,856	(21,837)	106,594
NONOPERATING REVENUES (EXPENSES)				
Gain on asset disposal	-	-	-	8,000
Interest income	27,269	7,390	34,659	2,722
Interest expense	(40,533)	(17,485)	(58,018)	(2,072)
Net nonoperating revenues (expenses)	(13,264)	(10,095)	(23,359)	8,650
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(48,957)	3,761	(45,196)	115,244
CAPITAL CONTRIBUTIONS				
Debt retirement charges	253,144	90,628	343,772	-
Connection fees	106,530	78,037	184,567	-
Total capital contributions	359,674	168,665	528,339	-
TRANSFERS OUT	(42,840)	-	(42,840)	(16,600)
CHANGES IN NET POSITION	267,877	172,426	440,303	98,644
NET POSITION - BEGINNING	6,333,407	2,246,169	8,579,576	476,495
NET POSITION - ENDING	\$ 6,601,284	\$ 2,418,595	\$ 9,019,879	\$ 575,139
Reconciliation of the fund basis changes in net position to the statement of activities:				
Changes in net position			\$ 440,303	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			18,771	
Change in net position of <i>business-type activities</i> (page 15)			\$ 459,074	

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds

Year ended December 31, 2019

	Business-type activities			Governmental activities
	Enterprise funds			Internal services
	Sewer	Water	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 479,840	\$ 358,826	\$ 838,666	\$ -
Receipts from interfund services provided	-	-	-	201,072
Payments to vendors and suppliers	(295,967)	(215,135)	(511,102)	(41,007)
Payments to employees	(71,351)	(71,310)	(142,661)	(27,782)
Payments for interfund services used	(15,259)	(21,420)	(36,679)	-
Net cash provided by (used in) operating activities	97,263	50,961	148,224	132,283
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(42,840)	-	(42,840)	(16,600)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from asset disposal	-	-	-	8,000
Debt retirement charges	253,144	90,628	343,772	-
Connection fees	106,530	78,037	184,567	-
Acquisition of capital assets	(86,507)	-	(86,507)	(74,827)
Principal payments on capital debt	(57,750)	(73,073)	(130,823)	(14,115)
Interest payments on capital debt	(42,215)	(18,287)	(60,502)	(2,446)
Net cash provided by (used in) capital and related financing activities	173,202	77,305	250,507	(83,388)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest revenue received	27,269	7,390	34,659	2,722
NET CHANGE IN CASH	254,894	135,656	390,550	35,017
CASH - BEGINNING	2,125,967	543,689	2,669,656	207,304
CASH - ENDING	<u>\$ 2,380,861</u>	<u>\$ 679,345</u>	<u>\$ 3,060,206</u>	<u>\$ 242,321</u>

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds (Continued)

Year ended December 31, 2019

	Business-type activities			Governmental activities
	Enterprise funds			Internal services
	Sewer	Water	Totals	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (35,693)	\$ 13,856	\$ (21,837)	\$ 106,594
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	179,537	70,970	250,507	40,040
(Increase) decrease in receivables	(37,026)	(19,844)	(56,870)	-
Increase in deferred outflows of resources	(21,714)	(22,289)	(44,003)	(3,272)
Increase (decrease) in payables	(9,387)	(25,044)	(34,431)	(1,315)
Increase in deferred inflows of resources	(5,877)	(5,519)	(11,396)	(1,547)
Increase in other postemployment liability	(9,965)	(1,333)	(11,298)	(11,535)
Increase (decrease) in net pension liability	37,388	40,164	77,552	3,318
Net cash provided by (used in) operating activities	<u>\$ 97,263</u>	<u>\$ 50,961</u>	<u>\$ 148,224</u>	<u>\$ 132,283</u>
Noncash capital and related financing activities				
Acquisition of capital assets	\$ (86,507)	\$ (13,226)	\$ (99,733)	\$ -
Less increase in payables	<u>-</u>	<u>13,226</u>	<u>13,226</u>	<u>-</u>
Net cash used	<u>\$ (86,507)</u>	<u>\$ -</u>	<u>\$ (86,507)</u>	<u>\$ -</u>

See notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Middleville, 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 Barry County, and its component units described below, for which the Village is financially accountable. The discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government. The authorities are fiscally dependent on the Village because the Village Council appoints their governing bodies, approves their budgets, and their debt remains the responsibility of the Village. The Village is also obligated to provide some of its tax revenues to the authorities, through tax increment financing, which represents a financial burden on the Village. Separate financial statements for the component units have not been issued, as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component units.

Discretely presented component units:

Local Development Finance Authority (LDFA) - The Authority was established pursuant to Public Act 281 of 1986, as amended, to encourage local development and promote economic growth within the Authority's boundary.

Downtown Development Authority (DDA) - 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.

Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Village. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property 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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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 Major Street Fund, a special revenue fund, accounts for allocated state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the Village's major streets.

The Local Street Fund, a special revenue fund, accounts for allocated state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the Village's local streets.

The Village reports the following major proprietary funds:

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

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

Additionally, the Village reports the following funds:

The Motor Vehicle Equipment 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 OPEB Fund, an internal service fund, accounts for the funding of other post-employment benefits.

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 consists of cash on hand, demand deposits, and time deposits.

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.

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

Capital assets - Capital assets, which include land, equipment, and infrastructure assets (e.g., sewer and water systems and streets), are reported in the applicable governmental or business-type activities 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:

Infrastructure	20 - 40 years
Buildings and improvements	20 - 40 years
Equipment	3 - 20 years
Sewage disposal system	50 - 70 years

Deferred outflows of resources - The statement of net position includes 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's deferred outflows of resources relate to the defined benefit pension plan, which is discussed in Note 11. No deferred outflows of resources affect the governmental funds financial statements.

Unearned revenue - The General Fund reports unearned revenue in connection with a grant, where resources have been received, but not yet earned.

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

Pension - For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, 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 benefit pension plan share the same year-end date. Accordingly, the Village has elected to measure its net pension liability as of the prior December 31.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Postemployment benefits other than pensions - For purposes of measuring the net other postemployment benefits (OPEB) liability and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the employer's fiduciary net position have been determined on the same basis as they are reported by the employer. For this purpose, benefits payments are recognized when due and payable in accordance with the benefit terms. The Plan has no investments. The Village has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 75 for employers in plans with fewer than one hundred (100) total plan members.

Deferred inflows of resources - The statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenue will not be recognized until a future event occurs. The Village's deferred inflows of resources relate to the defined benefit pension plan, which is discussed in Note 11. No deferred inflows of resources affect the governmental funds financial statements.

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 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 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 Village has delegated the authority to assign fund balance to the Village Manager. Unassigned fund balance is the residual classification for amounts in the General Fund. When the Village incurs an expenditure for purposes for which various fund balance classifications can be used, it is the policy of the Village 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 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 2019 ad valorem tax was levied and collectible on July 1, 2019. 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 general and special revenue funds. The budget document presents information by fund, function, activity, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations - The following schedule sets forth the reportable budget variance:

<u>Entity</u>	<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Primary government:						
	General	General government	Professional fees	\$ 38,500	\$ 45,555	\$ 7,055
		Public works	Public works department	161,350	163,395	2,045
		Recreation and culture	Recreation	92,158	95,048	2,890

NOTE 3 - CASH

At December 31, 2019, cash is classified in the accompanying financial statements as follows:

Statement of net position:	
Primary government - cash	\$ 5,114,493
Component units:	
LDFA - cash	2,108,297
DDA - cash	<u>215,060</u>
Total	<u>\$ 7,437,850</u>

At December 31, 2019, cash consists of the following:

Cash on hand	\$ 550
Deposits with financial institutions	<u>7,437,300</u>
Total	<u>\$ 7,437,850</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 December 31, 2019, \$7,100,683 of the Village's bank balances of \$7,600,683 was exposed to custodial credit risk because it was uninsured. However, this amount is collateralized by securities held by the pledging financial institution.

The Village maintains a pooled cash account for all of its funds and its component units. As such, it is not practicable to allocate the balance exposed to custodial credit risk between the primary government and the component units.

NOTE 4 - RECEIVABLES

Receivables as of December 31, 2019, for the Village's funds were as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Property taxes</i>	<i>Inter- govern- mental</i>	<i>Interest</i>	<i>Special assess- ments</i>	<i>Totals</i>
Primary government:						
Governmental:						
General	\$ 7,387	\$ 23,679	\$ 124,363	\$ 7,385	\$ -	\$ 162,814
Major Street	-	4,458	45,882	-	-	50,340
Local Street	-	-	16,901	-	-	16,901
Total governmental	<u>\$ 7,387</u>	<u>\$ 28,137</u>	<u>\$ 187,146</u>	<u>\$ 7,385</u>	<u>\$ -</u>	<u>\$ 230,055</u>
Proprietary:						
Sewer	\$ 216,362	\$ -	\$ -	\$ -	\$ 22,319	\$ 238,681
Water	120,264	-	-	-	-	120,264
Total proprietary	<u>\$ 336,626</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,319</u>	<u>\$ 358,945</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,739</u>	<u>\$ 16,739</u>
Component units:						
LDFA	<u>\$ -</u>	<u>\$ 38,961</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,961</u>
DDA	<u>\$ -</u>	<u>\$ 43,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,460</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 859,360	\$ -	\$ -	\$ 859,360
Capital assets being depreciated:				
Land improvements	795,077	-	-	795,077
Buildings	2,146,180	-	-	2,146,180
Furniture, fixtures, and equipment	396,040	6,444	-	402,484
Infrastructure	7,145,726	23,500	-	7,169,226
Vehicles	573,984	74,827	-	648,811
Subtotal	11,057,007	104,771	-	11,161,778
Less accumulated depreciation for:				
Land improvements	(165,317)	(40,185)	-	(205,502)
Buildings	(583,485)	(50,618)	-	(634,103)
Furniture, fixtures, and equipment	(338,456)	(2,953)	-	(341,409)
Infrastructure	(1,480,889)	(241,243)	-	(1,722,132)
Vehicles	(434,603)	(40,040)	-	(474,643)
Subtotal	(3,002,750)	(375,039)	-	(3,377,789)
Total capital assets being depreciated, net	8,054,257	(270,268)	-	7,783,989
Governmental activities capital assets, net	\$ 8,913,617	\$ (270,268)	\$ -	\$ 8,643,349

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 22,592
Public safety	2,953
Public works	244,643
Recreation and culture	64,811
Depreciation on capital assets held by internal service fund	40,040
Total governmental activities	\$ 375,039

NOTE 5 - CAPITAL ASSETS (Continued)

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 143,149	\$ -	\$ -	\$ 143,149
Capital assets being depreciated:				
Sewer system	8,340,259	86,507	-	8,426,766
Water system	3,810,339	-	-	3,810,339
Equipment	382,732	13,226	-	395,958
Subtotal	12,533,330	99,733	-	12,633,063
Less accumulated depreciation for:		-		
Sewer system	(2,687,237)	(179,537)	-	(2,866,774)
Water system	(1,481,322)	(70,970)	-	(1,552,292)
Equipment	(305,490)	-	-	(305,490)
Subtotal	(4,474,049)	(250,507)	-	(4,724,556)
Total capital assets being depreciated, net	8,059,281	(150,774)	-	7,908,507
Business-type activities capital assets, net	\$ 8,202,430	\$ (150,774)	\$ -	\$ 8,051,656

NOTE 5 - CAPITAL ASSETS (Continued)

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Component units:				
LDFA:				
Capital assets being depreciated - infrastructure	\$ 2,191,065	\$ -	\$ -	\$ 2,191,065
Less accumulated depreciation for - infrastructure	(340,028)	(70,625)	-	(410,653)
Total capital assets being depreciated, net	1,851,037	(70,625)	-	1,780,412
LDFA capital assets, net	<u>\$ 1,851,037</u>	<u>\$ (70,625)</u>	<u>\$ -</u>	<u>\$ 1,780,412</u>
DDA:				
Capital assets being depreciated - infrastructure	\$ 91,573	\$ 259,969	\$ -	\$ 351,542
Less accumulated depreciation for - infrastructure	(18,236)	(3,962)	-	(22,198)
DDA capital assets, net	<u>\$ 73,337</u>	<u>\$ 256,007</u>	<u>\$ -</u>	<u>\$ 329,344</u>

NOTE 6 - PAYABLES

Payables as of December 31, 2019, for the Village's funds, and its component units, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Primary government:				
Governmental:				
General	\$ 105,316	\$ 4,972	\$ -	\$ 110,288
Major Street	5,184	547	-	5,731
Local Street	-	245	-	245
Total governmental	<u>\$ 110,500</u>	<u>\$ 5,764</u>	<u>\$ -</u>	<u>\$ 116,264</u>
Proprietary:				
Enterprise:				
Sewer	\$ 4,966	\$ 909	\$ 13,790	\$ 19,665
Water	<u>22,958</u>	<u>1,028</u>	<u>5,023</u>	<u>29,009</u>
	27,924	1,937	18,813	48,674
Motor Vehicle Equipment	<u>80</u>	<u>231</u>	<u>1,035</u>	<u>1,346</u>
Total proprietary	<u>\$ 28,004</u>	<u>\$ 2,168</u>	<u>\$ 19,848</u>	<u>\$ 50,020</u>
Component unit - DDA	<u>\$ 28,846</u>	<u>\$ 419</u>	<u>\$ -</u>	<u>\$ 29,265</u>

NOTE 7 - INTERFUND TRANSFERS

The interfund transfers for the year ended December 31, 2019, were as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
General	<u>\$ 59,440</u>	Sewer	\$ 42,840
		Internal service	<u>16,600</u>
			<u>59,440</u>
Local street	<u>90,000</u>	Major street	<u>90,000</u>
	<u>\$ 149,440</u>		<u>\$ 149,440</u>

The transfers out of the Sewer and Internal Service funds relate to the Village's payment in lieu of taxes program. The payment is classified as a transfer because the transaction does not involve an exchange for services provided. The transfer to the Local Street Fund represents support for future construction projects.

NOTE 8 - LONG-TERM LIABILITIES

At December 31, 2019, long-term liabilities are comprised of the following individual issues:

Primary government:

Governmental activities:

Bonds payable:

\$700,000 2012 Capital Improvement bonds payable - payable in annual installments ranging from \$25,000 to \$50,000, plus interest ranging between 1.20% and 4.40%; final payment due March 2032	\$ 311,934
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\$410,000 2014 Capital Improvement bonds payable - payable in annual installments ranging from \$15,000 to \$30,000, plus interest ranging between 1.00% and 4.60%; final payment due March 2032	<u>325,000</u>
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Total bonds payable	<u>636,934</u>
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Notes payable:

\$136,000 2013 Drain improvement agreement - payable in annual installments of \$13,600, including interest at 3.73%; final payment due February 2023	40,800
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\$145,000 2014 Installment purchase agreement - payable in annual installments of \$16,561, including interest at 2.70%; final payment due April 2024	76,497
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\$45,200 2016 Installment purchase agreement - payable in annual installments of \$11,300; final payment due July 2020	11,300
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\$385,000 2018 Installment purchase agreement - payable in annual installments of \$57,800; final payment due January 2023	<u>211,200</u>
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Total notes payable	<u>339,797</u>
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Total governmental activities	<u><u>\$ 976,731</u></u>
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NOTE 8 - LONG-TERM LIABILITIES (Continued)

Business-type activities:

Contracts and bonds payable:

\$205,000 2006 Barry County Water contract payable - payable in annual installments ranging from \$10,000 to \$15,000, plus interest at 2.125%; final payment due April 2026 \$ 75,000

\$1,040,000 2006 Barry County Water contract payable - payable in annual installments ranging from \$40,000 to \$65,000, plus interest at 2.125%; final payment due April 2027 470,000

\$425,000 2010 Capital Improvement bonds payable - payable in annual installments ranging from \$10,000 to \$25,000, plus interest ranging between 1.95% and 5.20%; final payment due March 2030 275,000

\$700,000 2012 Capital Improvement bonds payable - payable in annual installments ranging from \$25,000 to \$50,000, plus interest ranging between 1.20% and 4.40%; final payment due March 2032 238,067

\$995,000 2017 Capital Improvement bonds payable - payable in annual installments ranging from \$35,000 to \$70,000, plus interest ranging between 1.00% and 3.55%; final payment due March 2037 925,000

Total business-type activities \$ 1,983,067

Component unit - LDFA:

Contract payable - \$745,509 2013 Barry County contract payable - payable in annual installments ranging from \$47,000 to \$75,000, plus interest at 0.80% to 3.60%; final payment due February 2026 \$ 460,557

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM LIABILITIES (Continued)

Long-term liability activity for the year ended December 31, 2019, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Governmental activities:					
2012 Bonds payable	\$ 326,111	\$ -	\$ (14,177)	\$ 311,934	\$ 14,179
2014 Bonds payable	345,000	-	(20,000)	325,000	20,000
Direct borrowings and placements:					
2013 Drain assessment	54,400	-	(13,600)	40,800	13,600
2014 Note payable	90,612	-	(14,115)	76,497	14,491
2016 Note payable	22,600	-	(11,300)	11,300	11,300
2018 Note payable	<u>289,000</u>	<u>-</u>	<u>(77,800)</u>	<u>211,200</u>	<u>57,800</u>
Total governmental activities	<u>\$ 1,127,723</u>	<u>\$ -</u>	<u>\$ (150,992)</u>	<u>\$ 976,731</u>	<u>\$ 131,370</u>
Business-type activities:					
2010 Bonds payable	295,000	-	(20,000)	275,000	25,000
2012 Bonds payable	248,890	-	(10,823)	238,067	10,821
2017 Bonds payable	960,000	-	(35,000)	925,000	40,000
Direct borrowings and placements:					
2006 Contract payable	85,000	-	(10,000)	75,000	10,000
2006 Contract payable	<u>525,000</u>	<u>-</u>	<u>(55,000)</u>	<u>470,000</u>	<u>55,000</u>
Total business-type activities	<u>\$ 2,113,890</u>	<u>\$ -</u>	<u>\$ (130,823)</u>	<u>\$ 1,983,067</u>	<u>\$ 140,821</u>
Component unit - LDFA:					
Direct borrowings and placements:					
2013 Contract payable	<u>\$ 526,836</u>	<u>\$ -</u>	<u>\$ (66,279)</u>	<u>\$ 460,557</u>	<u>\$ 65,904</u>

NOTE 8 - LONG-TERM LIABILITIES (Continued)

At December 31, 2019, debt service requirements were as follows:

Year ended December 31:	Primary government				Component unit - LDFA	
	Governmental activities		Business-type activities			
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 131,370	\$ 37,037	\$ 140,821	\$ 57,219	\$ 65,904	\$ 12,980
2021	120,469	32,450	140,821	53,907	65,518	11,427
2022	120,868	28,236	140,821	50,426	60,122	9,714
2023	92,681	23,851	145,821	46,760	59,715	7,927
2024	69,482	19,573	156,643	42,741	59,298	6,022
2025 - 2029	266,785	65,643	678,215	148,792	150,000	5,323
2030 - 2034	175,076	11,715	379,925	63,831	-	-
2035 - 2037	-	-	200,000	10,747	-	-
Totals	<u>\$ 976,731</u>	<u>\$ 218,505</u>	<u>\$ 1,983,067</u>	<u>\$ 474,423</u>	<u>\$ 460,557</u>	<u>\$ 53,393</u>

All debt is secured by the full faith and credit of the Village.

NOTE 9 - PROPERTY TAXES

The 2019 taxable valuation of the Village approximated \$112,162,000, on which ad valorem taxes levied consisted of 10.5 mills for operating purposes and 2.0 mills for major street preservation and improvements, raising approximately \$1,152,000 for operating purposes and \$219,000 for major street preservation and improvements. These amounts are recognized in the respective fund financial statements as property tax revenue, though they are reduced by tax captures by the Village's component units.

NOTE 10 - TAX ABATEMENTS

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

For the year ended December 31, 2019, the Village abated property taxes totaling \$15,319 under the Industrial Facilities Exemption, which is authorized by Public Act 198 of 1974.

NOTE 11 - DEFINED BENEFIT PENSION PLAN*Plan description:*

The Village participates in the Municipal Employees' Retirement System (MERS) of Michigan. 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 and covers the Village's full-time employees. Retirement benefits for eligible employees are calculated as 2.25% of the employee's five-year final average compensation, times the employee's years of service, with a maximum of 80% of final average compensation. 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. Covered employees are required to contribute a percentage of their compensation to the plan, depending on the employee's classification within the plan. 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, 2018, measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>7</u>
Total	<u><u>22</u></u>

Contributions:

The Village is required to contribute amounts at least equal to an 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. For the fiscal year ended December 31, 2019, Village contributions ranged from 11.00% to 19.00% of monthly covered payroll. Covered employees made contributions ranging from 2.22% to 10.75% to the plan. For the fiscal year ended December 31, 2019, the Village contributed \$60,578 to the plan, while employees contributed \$21,588.

Net pension liability:

The Village's net pension liability reported at December 31, 2019, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2018. The total pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions:

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.75%	in the long term
Investment rate of return	7.75%	net of investment expense, including inflation

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)*Actuarial assumptions (continued):*

Mortality rates were based on a blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables all with a 50 percent male and 50 percent female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50 percent male and 50 percent female blend is used to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of the most recent actuarial experience study.

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:

<i>Asset class</i>	<i>Target allocation</i>	<i>Long-term expected real rate of return</i>	<i>Expected money-weighted rate of return</i>
Global equity	55.50%	6.15%	3.41%
Global fixed income	18.50%	1.26%	0.23%
Real assets	13.50%	7.22%	0.98%
Diversifying strategies	12.50%	5.00%	0.63%
	<u>100.00%</u>		
Inflation			2.50%
Administrative expenses			<u>0.25%</u>
Investment rate of return			<u>8.00%</u>

Discount rate:

The discount rate used to measure the total pension liability is 8.00% for 2018. 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.

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)

Changes in net pension liability:

	Increase (decrease)		
	Total pension liability	Plan fiduciary net position	Net pension liability
	(a)	(b)	(a) - (b)
Balances at December 31, 2018	\$ 2,003,977	\$ 1,650,601	\$ 353,376
Changes for the year:			
Service cost	34,768	-	34,768
Interest	156,605	-	156,605
Difference between expected and actual experience	89,820	-	89,820
Employer contributions	-	58,125	(58,125)
Employee contribution	-	16,548	(16,548)
Net investment loss	-	(63,713)	63,713
Benefit payments, including refunds	(127,588)	(127,588)	-
Administrative expenses	-	(3,191)	3,191
Net changes	153,605	(119,819)	273,424
Balances at December 31, 2019	\$ 2,157,582	\$ 1,530,782	\$ 626,800

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 8.00%, as well as what the Village's net pension liability would be using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate.

	1% Decrease (7.00%)	Current rate (8.00%)	1% Increase (9.00%)
Village's net pension liability	\$ 855,331	\$ 626,800	\$ 433,517

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 expenses when due and payable in accordance with benefit terms.

NOTE 11 - DEFINED BENEFIT PENSION PLAN (Continued)*Pension expense and deferred outflows of resources related to pensions:*

For the fiscal year ended December 31, 2019, the Village recognized pension expense of \$151,996. At December 31, 2019, the Village reported deferred outflows of resources and deferred inflows of resources, related to the pension plan, from the following sources:

<i>Source</i>	<i>Deferred outflows of resources</i>
Difference between projected and actual earnings	\$ 114,557
Difference between expected and actual experience	<u>58,778</u>
	173,335
Contributions made subsequent to measurement date	<u>61,799</u>
Totals	<u><u>\$ 235,134</u></u>

The amount reported as deferred outflows of resources resulting from contributions made subsequent to the measurement date will be recognized as a reduction in the net pension liability in 2020.

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

<i>Year ended December 31:</i>	<i>Deferred outflows of resources</i>
2020	\$ 66,903
2021	44,770
2022	22,958
2023	<u>38,704</u>
	<u><u>\$ 173,335</u></u>

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS*Plan description:*

The Village of Middleville Retiree Healthcare Plan is a single-employer defined benefit healthcare plan administered by the Village, which provides healthcare benefits to eligible employees upon retirement. Eligible recipients include exempt employees hired before June 1, 2014 and employees with union affiliation hired before January 1, 2015. The Plan was established by the Village and can be amended at its discretion. The plan does not issue a separate stand-alone financial statement, is not advance funded, and is not administered through a trust agreement.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (Continued)*Benefits provided:*

Exempt employees:

Hired before June 1, 2014:

Quarterly stipend for medical insurance from the date of retirement until death (currently \$777 for single, \$1,258 for self and spouse). The stipend is adjusted annually by the Consumer Price Index. The post retirement benefit transfers to the spouse upon retiree death.

Union employees:

Hired before January 1, 2015:

The retirees will receive 50% of medical insurance premiums from the first day following the retirees 65th birthday until death (currently 50% of monthly premiums of \$417 for single, \$834 for self and spouse). The post retirement benefit transfers to the spouse upon retiree death.

As of December 31, 2019, Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>8</u>
Total	<u><u>17</u></u>

Contributions:

The Village of Middleville Retiree Healthcare Plan was established and is being funded under the authority of the Village and under agreements with the unions representing employees. The Plan's funding policy is that the employer will fund the plan on a pay-as-you-go basis, that is, benefit payments will be made from general operating funds. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves.

Net OPEB liability:

The total OPEB liability was determined by a valuation, using the alternative measurement method, as of December 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Payroll increases	3.50%
Investment rate of return	N/A; this plan is not pre-funded
20-year Aa Municipal bond rate	3.00%
Mortality	2014 life tables for males and females, as appropriate, from the Centers for Disease Control

The discount rate used to measure the total OPEB liability was 3.0%. Because the plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted as a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability. The discount rate was not changed from the prior year.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in the Net OPEB liability:

	<i>Increase (decrease)</i>		
	<i>Total OPEB liability</i>	<i>Plan fiduciary net position</i>	<i>Net OPEB liability (asset)</i>
	<i>(a)</i>	<i>(b)</i>	<i>(a) - (b)</i>
Balances at December 31, 2018	\$ 1,001,633	\$ -	\$ 1,001,633
Changes for the year:			
Service cost	75,435	-	75,435
Interest	30,947	-	30,947
Contributions - employer	-	15,607	15,607
Benefit payments	(15,607)	(15,607)	(31,214)
Net changes	90,775	-	90,775
Balances at December 31, 2019	\$ 1,092,408	\$ -	\$ 1,092,408

Sensitivity of the net OPEB liability to changes in the discount rate:

The following schedule presents the net OPEB liability of the Village, calculated using the discount rates 1% higher and lower than the current rate of 3.0%:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
Net OPEB liability	\$ 1,226,124	\$ 1,092,408	\$ 971,956

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate:

The following schedule presents the net OPEB liability of the Village, calculated using healthcare cost trend rates 1% higher and lower than the current rate:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
Net OPEB liability	\$ 1,005,312	\$ 1,092,408	\$ 1,198,324

OPEB expense, deferred outflows of resources, and deferred inflows of resources related to OPEB Plan:

For the fiscal year ended December 31, 2019, the Village recognized OPEB expense of \$106,382. At December 31, 2019, The Village reported no deferred outflows of resources or deferred inflows of resources related to OPEB, due to the use of the alternative measurement method.

NOTE 13 - DEFERRED COMPENSATION PLAN

The Village offers its employees a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The assets of the plans were held in trust (custodial account or annuity contract), as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof, for the exclusive benefit of the participants, holds the custodial account for the beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Village's financial statements.

NOTE 14 - 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; injuries to employees; and natural disasters. The Village has joined together with other local governmental units in the State to form the Michigan Municipal League Insurance Pool (MML), a public entity risk pool currently operating as a common risk management and insurance program for local governmental units within the State. The Village pays an annual premium to MML for all of its insurance coverages. MML is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$2,000,000 for each insured event.

NOTE 15 - RESTRICTED NET POSITION

In the government-wide statement of net position, the governmental activities report restricted net position, in the amount of \$1,016,406, which is restricted by enabling legislation for public works expenditures.

NOTE 16 - PENDING ACCOUNTING PRONOUNCEMENT

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, effective for periods beginning after December 15, 2019. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Village is currently evaluating the impact this standard will have on the financial statements when adopted during the fiscal year beginning January 1, 2020.

NOTE 17 - SUBSEQUENT EVENT

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

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended December 31, 2019

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 944,331	\$ 944,331	\$ 955,688	\$ 11,357
Licenses and permits	5,000	5,000	20,160	15,160
Federal grant	352,850	352,850	202,426	(150,424)
State grants	316,169	316,169	331,696	15,527
Intergovernmental	12,204	12,204	15,796	3,592
Interest and rentals	43,000	43,000	24,794	(18,206)
Other	7,000	7,000	8,375	1,375
Total revenues	<u>1,680,554</u>	<u>1,680,554</u>	<u>1,558,935</u>	<u>(121,619)</u>
EXPENDITURES				
General government:				
Legislative	27,422	27,422	24,658	2,764
Manager	123,011	123,011	119,164	3,847
Finance director	35,961	35,961	36,591	(630)
Professional fees	38,500	38,500	45,555	(7,055)
Clerk	42,905	42,905	39,072	3,833
Building and grounds	65,350	65,350	50,436	14,914
Nondepartmental	99,900	99,900	74,682	25,218
Total general government	<u>433,049</u>	<u>433,049</u>	<u>390,158</u>	<u>42,891</u>
Public safety:				
Police protection	319,785	319,785	267,549	52,236
Crossing guards	5,806	5,806	4,960	846
Total public safety	<u>325,591</u>	<u>325,591</u>	<u>272,509</u>	<u>53,082</u>
Public works:				
Public works department	161,350	161,350	163,395	(2,045)
Environmental control	54,689	54,689	48,818	5,871
Street lighting	35,000	35,000	31,350	3,650
Sidewalks	24,802	24,802	9,327	15,475
Total public works	<u>275,841</u>	<u>275,841</u>	<u>252,890</u>	<u>22,951</u>

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended December 31, 2019

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
EXPENDITURES (Continued)				
Community and economic development:				
Planning and zoning	\$ 132,689	\$ 132,689	\$ 114,858	\$ 17,831
Community development	<u>350,000</u>	<u>350,000</u>	<u>199,132</u>	<u>150,868</u>
Total community and economic development	<u>482,689</u>	<u>482,689</u>	<u>313,990</u>	<u>168,699</u>
Recreation and culture	<u>92,158</u>	<u>92,158</u>	<u>95,048</u>	<u>(2,890)</u>
Debt service:				
Principal	<u>115,612</u>	<u>115,612</u>	<u>114,205</u>	<u>1,407</u>
Interest	<u>13,892</u>	<u>13,892</u>	<u>14,585</u>	<u>(693)</u>
Total expenditures	<u>1,738,832</u>	<u>1,738,832</u>	<u>1,453,385</u>	<u>285,447</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(58,278)	(58,278)	105,550	163,828
OTHER FINANCING SOURCES				
Transfers in	<u>59,440</u>	<u>59,440</u>	<u>59,440</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	1,162	1,162	164,990	163,828
FUND BALANCES - BEGINNING	<u>637,292</u>	<u>637,292</u>	<u>637,292</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 638,454</u>	<u>\$ 638,454</u>	<u>\$ 802,282</u>	<u>\$ 163,828</u>

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended December 31, 2019

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 175,585	\$ 175,585	\$ 178,799	\$ 3,214
State grants	255,220	255,220	280,612	25,392
Interest and rentals	-	-	6,009	6,009
Total revenues	430,805	430,805	465,420	34,615
EXPENDITURES				
Public works:				
Preservation	180,000	180,000	78,704	101,296
Routine maintenance	45,482	45,482	37,368	8,114
Winter maintenance	60,916	60,916	47,163	13,753
Traffic services	14,540	14,540	10,297	4,243
Total public works	300,938	300,938	173,532	127,406
Debt service:				
Principal	16,565	16,565	16,563	2
Interest	10,995	10,995	10,843	152
Total expenditures	328,498	328,498	200,938	127,560
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	102,307	102,307	264,482	162,175
OTHER FINANCING USES				
Transfers out	(90,000)	(90,000)	(90,000)	-
NET CHANGES IN FUND BALANCES	12,307	12,307	174,482	162,175
FUND BALANCES - BEGINNING	429,427	429,427	429,427	-
FUND BALANCES - ENDING	\$ 441,734	\$ 441,734	\$ 603,909	\$ 162,175

BUDGETARY COMPARISON SCHEDULE - Local Street Fund

Year ended December 31, 2019

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
State grants	\$ 114,995	\$ 114,995	\$ 103,130	\$ (11,865)
Interest and rentals	-	-	4,083	4,083
Total revenues	114,995	114,995	107,213	(7,782)
EXPENDITURES				
Public works:				
Preservation	33,000	33,000	25,639	7,361
Routine maintenance	32,452	32,452	28,400	4,052
Winter maintenance	32,324	32,324	27,852	4,472
Traffic services	8,536	8,536	6,823	1,713
Total public works	106,312	106,312	88,714	17,598
Debt service:				
Principal	6,108	6,108	6,109	(1)
Interest	2,409	2,409	2,057	352
Total expenditures	114,829	114,829	96,880	17,949
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	166	166	10,333	10,167
OTHER FINANCING SOURCES				
Transfers in	90,000	90,000	90,000	-
NET CHANGES IN FUND BALANCES	90,166	90,166	100,333	10,167
FUND BALANCES - BEGINNING	312,164	312,164	312,164	-
FUND BALANCES - ENDING	\$ 402,330	\$ 402,330	\$ 412,497	\$ 10,167

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

Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:					
Service cost	\$ 34,768	\$ 38,574	\$ 40,702	\$ 32,669	\$ 30,840
Interest	156,605	150,272	143,405	130,827	125,042
Changes in benefits	-	-	-	(2,694)	-
Difference between expected and actual experience	89,820	1,732	(6,723)	33,494	-
Changes in assumptions	-	-	-	97,087	-
Benefit payments, including refunds	<u>(127,588)</u>	<u>(91,432)</u>	<u>(89,537)</u>	<u>(87,644)</u>	<u>(85,745)</u>
Net change in total pension liability	153,605	99,146	87,847	203,739	70,137
Total pension liability, beginning of year	<u>2,003,977</u>	<u>1,904,831</u>	<u>1,816,984</u>	<u>1,613,245</u>	<u>1,543,108</u>
Total pension liability, end of year	<u>\$ 2,157,582</u>	<u>\$ 2,003,977</u>	<u>\$ 1,904,831</u>	<u>\$ 1,816,984</u>	<u>\$ 1,613,245</u>
Plan fiduciary net position:					
Contributions:					
Employer	\$ 58,125	\$ 52,965	\$ 246,876	\$ 56,267	\$ 44,269
Employee	16,550	18,698	17,729	12,162	10,789
Net investment income (loss)	(63,713)	196,009	143,577	(17,960)	73,272
Benefit payments, including refunds	(127,588)	(91,432)	(89,537)	(87,640)	(85,745)
Administrative expenses	<u>(3,193)</u>	<u>(3,102)</u>	<u>(2,829)</u>	<u>(2,641)</u>	<u>(2,689)</u>
Net change in plan fiduciary net position	(119,819)	173,138	315,816	(39,812)	39,896
Plan fiduciary net position, beginning of year	<u>1,650,601</u>	<u>1,477,463</u>	<u>1,161,647</u>	<u>1,201,459</u>	<u>1,161,563</u>
Plan fiduciary net position, end of year	<u>\$ 1,530,782</u>	<u>\$ 1,650,601</u>	<u>\$ 1,477,463</u>	<u>\$ 1,161,647</u>	<u>\$ 1,201,459</u>
Village's net pension liability, end of year	<u>\$ 626,800</u>	<u>\$ 353,376</u>	<u>\$ 427,368</u>	<u>\$ 655,337</u>	<u>\$ 411,786</u>
Plan fiduciary net position as a percent of total pension liability	70.95%	82.37%	77.56%	63.93%	74.47%
Covered payroll	\$ 385,026	\$ 378,506	\$ 398,578	\$ 346,677	\$ 282,404
Village's net pension liability as a percentage of covered payroll	162.79%	93.36%	107.22%	189.03%	145.81%

Note: This schedule is being built prospectively after the implementation of GASB 68 in 2015.

Ultimately, ten years of data will be presented.

Village of Middleville

SCHEDULE OF VILLAGE PENSION CONTRIBUTIONS

Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contributions	\$ 58,125	\$ 61,261	\$ 55,650	\$ 49,224	\$ 56,268	\$ 44,268	\$ 48,364	\$ 54,583	\$ 27,670	\$ 27,478
Contributions in relation to the actuarially determined contributions	<u>58,125</u>	<u>61,261</u>	<u>55,650</u>	<u>249,224</u>	<u>56,268</u>	<u>44,268</u>	<u>48,364</u>	<u>54,583</u>	<u>27,670</u>	<u>27,478</u>
Contribution excess/(deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 385,026	\$ 378,506	\$ 398,578	\$ 346,677	\$ 282,404	\$ 355,407	\$ 341,308	\$ 270,683	\$ 185,271	\$ 327,929
Contributions as a percentage of covered payroll	15.10%	16.18%	13.96%	71.89%	19.92%	12.46%	14.17%	20.16%	14.93%	8.38%

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	22 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%, net of investment and administrative expenses, including inflation
Retirement age	Normal retirement age is 60 years
Mortality	50% Female/50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%

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

Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>
Total OPEB liability:		
Service cost	\$ 75,435	\$ 75,435
Interest	30,947	20,437
Changes in assumptions	-	262,022
Benefit payments, including refunds	<u>(15,607)</u>	<u>(7,975)</u>
Net change in total OPEB liability	90,775	349,919
Total OPEB liability, beginning of year	<u>1,001,633</u>	<u>651,714</u>
Total OPEB liability, end of year	<u>\$ 1,092,408</u>	<u>\$ 1,001,633</u>
Plan fiduciary net position:		
Plan fiduciary net position, beginning of year	\$ -	\$ -
Plan fiduciary net position, end of year	<u>\$ -</u>	<u>\$ -</u>
Village's net OPEB liability, end of year	<u>\$ 1,092,408</u>	<u>\$ 1,001,633</u>
Plan fiduciary net position as a percent of total OPEB liability	0.00%	0.00%
Covered payroll	\$ 281,703	\$ 313,941
Village's net OPEB liability as a percentage of covered payroll	387.79%	319.05%

Note: This schedule is being built prospectively after the implementation of GASB 75 in 2018.

Ultimately, ten years of data will be presented.

Village of Middleville**SCHEDULE OF VILLAGE OPEB CONTRIBUTIONS***Year Ended December 31, 2019*

		<u>2019</u>	<u>2018</u>
Actuarially determined contributions		\$ 111,667	\$ 107,464
Contributions in relation to the actuarially determined contributions		<u>15,607</u>	<u>7,975</u>
Contribution excess/(deficiency)		<u>\$ (96,060)</u>	<u>\$ (99,489)</u>
Covered payroll		\$ 281,703	\$ 313,941
Contributions as a percentage of covered payroll		5.54%	2.54%
Methods and assumptions used to determine contribution rates:			
Inflation	3.50%		
Salary increases	3.50%		
Investment rate of return	Not applicable as the plan is not funded		
Healthcare cost trend	Initial rate of 8.5% decreasing .25% per year to a 4.5% long-term rate		
Mortality	2014 life tables for males and females, as appropriate from the Centers of Disease Control		

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study and State of Michigan requirements.

SUPPLEMENTARY INFORMATION

COMBINING STATEMENT OF NET POSITION - internal service funds

December 31, 2019

	<u>Equipment</u>	<u>OPEB</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 105,649	\$ 136,672	\$ 242,321
Noncurrent assets:			
Capital assets, net of depreciation	<u>447,903</u>	<u>-</u>	<u>447,903</u>
Total assets	<u>553,552</u>	<u>136,672</u>	<u>690,224</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension	<u>5,832</u>	<u>-</u>	<u>5,832</u>
LIABILITIES			
Current liabilities:			
Payables	1,346	-	1,346
Note payable - current portion	<u>14,491</u>	<u>-</u>	<u>14,491</u>
Total current liabilities	<u>15,837</u>	<u>-</u>	<u>15,837</u>
Noncurrent liabilities:			
Net pension liability	15,545	-	15,545
Other postemployment obligation, net	27,529	-	27,529
Note payable	<u>62,006</u>	<u>-</u>	<u>62,006</u>
Total noncurrent liabilities	<u>105,080</u>	<u>-</u>	<u>105,080</u>
Total liabilities	<u>120,917</u>	<u>-</u>	<u>120,917</u>
NET POSITION			
Net investment in capital assets	371,406	-	371,406
Unrestricted	<u>67,061</u>	<u>136,672</u>	<u>203,733</u>
Total net position	<u>\$ 438,467</u>	<u>\$ 136,672</u>	<u>\$ 575,139</u>

See notes to financial statements

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

- internal service funds

Year ended December 31, 2019

	<u>Equipment</u>	<u>OPEB</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services:			
Equipment rental	\$ 150,036	\$ -	\$ 150,036
OPEB contributions	-	50,846	50,846
Other	190	-	190
	<u>150,226</u>	<u>50,846</u>	<u>201,072</u>
Total operating revenues			
	<u>150,226</u>	<u>50,846</u>	<u>201,072</u>
OPERATING EXPENSES			
Personnel costs	4,403	-	4,403
Equipment and supplies	18,788	-	18,788
Gas and oil	15,640	-	15,640
OPEB payments	-	15,607	15,607
Depreciation	40,040	-	40,040
	<u>78,871</u>	<u>15,607</u>	<u>94,478</u>
Total operating expenses			
	<u>78,871</u>	<u>15,607</u>	<u>94,478</u>
OPERATING INCOME	<u>71,355</u>	<u>35,239</u>	<u>106,594</u>
NONOPERATING INCOME (EXPENSE)			
Gain on asset disposal	8,000	-	8,000
Interest revenue	1,289	1,433	2,722
Interest expense	(2,072)	-	(2,072)
	<u>7,217</u>	<u>1,433</u>	<u>8,650</u>
Total nonoperating income (expenses)			
	<u>7,217</u>	<u>1,433</u>	<u>8,650</u>
INCOME BEFORE TRANSFERS	78,572	36,672	115,244
TRANSFERS OUT	<u>(16,600)</u>	<u>-</u>	<u>(16,600)</u>
CHANGES IN NET POSITION	61,972	36,672	98,644
NET POSITION - BEGINNING	<u>376,495</u>	<u>100,000</u>	<u>476,495</u>
NET POSITION - ENDING	<u>\$ 438,467</u>	<u>\$ 136,672</u>	<u>\$ 575,139</u>

See notes to financial statements

COMBINING STATEMENT OF CASH FLOWS - internal service funds

Year ended December 31, 2019

	<u>Equipment</u>	<u>OPEB</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interfund services provided	\$ 150,226	\$ 50,846	\$ 201,072
Payments to vendors and suppliers	(41,007)	-	(41,007)
Payments to employees	(12,175)	(15,607)	(27,782)
Net cash provided by operating activities	<u>97,044</u>	<u>35,239</u>	<u>132,283</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	<u>(16,600)</u>	<u>-</u>	<u>(16,600)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from asset disposal	8,000	-	8,000
Acquisition of capital assets	(74,827)	-	(74,827)
Principal payments on capital debt	(14,115)	-	(14,115)
Interest payments on capital debt	<u>(2,446)</u>	<u>-</u>	<u>(2,446)</u>
Net cash used in capital and related financing activities	<u>(83,388)</u>	<u>-</u>	<u>(83,388)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	<u>1,289</u>	<u>1,433</u>	<u>2,722</u>
NET CHANGE IN CASH	<u>(1,655)</u>	<u>36,672</u>	<u>35,017</u>
CASH - BEGINNING	<u>107,304</u>	<u>100,000</u>	<u>207,304</u>
CASH - ENDING	<u>\$ 105,649</u>	<u>\$ 136,672</u>	<u>\$ 242,321</u>

See notes to financial statements

COMBINING STATEMENT OF CASH FLOWS - internal service funds (Continued)

Year ended December 31, 2019

	<u>Equipment</u>	<u>OPEB</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 71,355	\$ 35,239	\$ 106,594
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	40,040	-	40,040
Decrease in deferred outflows of resources	(3,272)	-	(3,272)
Decrease in payables	(1,315)	-	(1,315)
Increase in deferred inflows of resources	(1,547)	-	(1,547)
Increase in other postemployment liability	(11,535)	-	(11,535)
Decrease in net pension liability	<u>3,318</u>	<u>-</u>	<u>3,318</u>
Net cash provided by operating activities	<u>\$ 97,044</u>	<u>\$ 35,239</u>	<u>\$ 132,283</u>

See notes to financial statements

BALANCE SHEET - component units

December 31, 2019

	<i>Local Development Finance Authority</i>	<i>Downtown Development Authority</i>
ASSETS		
Cash	\$ 2,108,297	\$ 215,060
Receivables	<u>38,961</u>	<u>43,460</u>
Total assets	<u><u>\$ 2,147,258</u></u>	<u><u>\$ 258,520</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities - payables	\$ -	\$ 29,265
Fund balances - unassigned	<u>2,147,258</u>	<u>229,255</u>
Total liabilities and fund balances	<u><u>\$ 2,147,258</u></u>	<u><u>\$ 258,520</u></u>
 Total fund balances	 \$ 2,147,258	 \$ 229,255
Amounts reported for the <i>component units</i> in the statement of net position (page 14) are different because:		
Capital assets used by the <i>component units</i> are not financial resources and, therefore, are not reported in the funds.	1,780,412	329,344
Long-term liabilities, consisting of a contract payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(460,557)	-
Interest related to long-term liabilities is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(4,934)</u>	<u>-</u>
Net position of the <i>component units</i>	<u><u>\$ 3,462,179</u></u>	<u><u>\$ 558,599</u></u>

Village of Middleville**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - *component units****Year ended December 31, 2019*

	<i>Local Development Finance Authority</i>	<i>Downtown Development Authority</i>
REVENUES		
Property taxes	\$ 297,664	\$ 164,306
State grants	341,102	2,314
Charges for services	-	10,461
Interest and rentals	22,058	9,206
	<hr/>	<hr/>
Total revenues	660,824	186,287
	<hr/>	<hr/>
EXPENDITURES		
Current - public works	5,825	392,453
Capital outlay	24,370	-
Debt service:		
Principal	66,279	-
Interest	14,266	-
	<hr/>	<hr/>
Total expenditures	110,740	392,453
	<hr/>	<hr/>
NET CHANGES IN FUND BALANCES	550,084	(206,166)
	<hr/>	<hr/>
FUND BALANCES - BEGINNING	1,597,174	435,421
	<hr/>	<hr/>
FUND BALANCES - ENDING	<u>\$ 2,147,258</u>	<u>\$ 229,255</u>
	<hr/>	<hr/>
Net changes in fund balances	\$ 550,084	\$ (206,166)
Amounts reported for the <i>component units</i> in the statement of activities (page 15) are different because:		
Capital assets:		
Assets acquired	-	259,969
Depreciation provision	(70,625)	(3,962)
	<hr/>	<hr/>
Long term debt - principal payments	66,279	-
	<hr/>	<hr/>
Decrease in accrued interest expense	322	-
	<hr/>	<hr/>
Change in net position of <i>component units</i>	<u>\$ 546,060</u>	<u>\$ 49,841</u>

Village of Middleville**BUDGETARY COMPARISON SCHEDULE - Local Development Finance Authority***Year ended December 31, 2019*

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 276,682	\$ 276,682	\$ 297,664	\$ 20,982
State grants	274,790	274,790	341,102	66,312
Interest and rentals	-	-	22,058	22,058
Total revenues	<u>551,472</u>	<u>551,472</u>	<u>660,824</u>	<u>109,352</u>
EXPENDITURES				
Current - public works	14,800	14,800	5,825	8,975
Capital outlay	550,000	550,000	24,370	525,630
Debt service:				
Principal	66,279	66,279	66,279	-
Interest	<u>14,266</u>	<u>14,266</u>	<u>14,266</u>	<u>-</u>
Total expenditures	<u>645,345</u>	<u>645,345</u>	<u>110,740</u>	<u>534,605</u>
NET CHANGES IN FUND BALANCES	(93,873)	(93,873)	550,084	643,957
FUND BALANCES - BEGINNING	<u>1,597,174</u>	<u>1,597,174</u>	<u>1,597,174</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,503,301</u>	<u>\$ 1,503,301</u>	<u>\$ 2,147,258</u>	<u>\$ 643,957</u>

Village of Middleville**BUDGETARY COMPARISON SCHEDULE - Downtown Development Authority***Year ended December 31, 2019*

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 159,605	\$ 159,605	\$ 164,306	\$ 4,701
State grants	-	-	2,314	2,314
Charges for services	15,750	15,750	10,461	(5,289)
Interest and rentals	12,000	12,000	9,206	(2,794)
Total revenues	187,355	187,355	186,287	(1,068)
EXPENDITURES				
Current - public works	227,720	477,720	392,453	85,267
NET CHANGES IN FUND BALANCES	(40,365)	(290,365)	(206,166)	84,199
FUND BALANCES - BEGINNING	435,421	435,421	435,421	-
FUND BALANCES - ENDING	<u>\$ 395,056</u>	<u>\$ 145,056</u>	<u>\$ 229,255</u>	<u>\$ 84,199</u>

*Village of Middleville***SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS****\$205,000 2006 BARRY COUNTY WATER CONTRACT PAYABLE***December 31, 2019*

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>April 1</i>	<i>October 1</i>			
2020	\$ 797	\$ 797	4/1/20	\$ 10,000	\$ 11,594
2021	691	691	4/1/21	10,000	11,382
2022	584	584	4/1/22	10,000	11,168
2023	478	478	4/1/23	10,000	10,956
2024	372	372	4/1/24	10,000	10,744
2025	266	266	4/1/25	10,000	10,532
2026	159	159	4/1/26	15,000	15,318
	<u>\$ 3,347</u>	<u>\$ 3,347</u>		<u>\$ 75,000</u>	<u>\$ 81,694</u>

*Village of Middleville***SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS****\$1,040,000 2006 BARRY COUNTY WATER CONTRACT PAYABLE***December 31, 2019*

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>April 1</i>	<i>October 1</i>			
2020	\$ 4,691	\$ 4,106	4/1/20	\$ 55,000	\$ 63,797
2021	4,106	3,522	4/1/21	55,000	62,628
2022	3,522	2,937	4/1/22	55,000	61,459
2023	2,937	2,300	4/1/23	60,000	65,237
2024	2,300	1,662	4/1/24	60,000	63,962
2025	1,662	1,025	4/1/25	60,000	62,687
2026	1,025	387	4/1/26	60,000	61,412
2027	387	-	4/1/27	65,000	65,387
	<u>\$ 20,630</u>	<u>\$ 15,939</u>		<u>\$ 470,000</u>	<u>\$ 506,569</u>

*Village of Middleville***SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS****\$425,000 2010 CAPITAL IMPROVEMENT BONDS PAYABLE***December 31, 2019*

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>March 1</i>	<i>September 1</i>			
2020	\$ 6,363	\$ 5,856	3/1/20	\$ 25,000	\$ 37,219
2021	5,856	5,331	3/1/21	25,000	36,187
2022	5,331	4,788	3/1/22	25,000	35,119
2023	4,788	4,225	3/1/23	25,000	34,013
2024	4,225	3,643	3/1/24	25,000	32,868
2025	3,644	3,044	3/1/25	25,000	31,688
2026	3,044	2,431	3/1/26	25,000	30,475
2027	2,431	1,806	3/1/27	25,000	29,237
2028	1,806	1,294	3/1/28	25,000	28,100
2029	1,294	650	3/1/29	25,000	26,944
2030	650	-	3/1/30	25,000	25,650
	<u>\$ 39,432</u>	<u>\$ 33,068</u>		<u>\$ 275,000</u>	<u>\$ 347,500</u>

Village of Middleville

SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$700,000 2012 CAPITAL IMPROVEMENT BONDS PAYABLE

December 31, 2019

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>March 1</i>	<i>September 1</i>			
2020	\$ 10,519	\$ 10,200	3/1/20	\$ 25,000	\$ 45,719
2021	10,200	9,850	3/1/21	25,000	45,050
2022	9,850	9,462	3/1/22	25,000	44,312
2023	9,462	9,050	3/1/23	25,000	43,512
2024	9,050	8,175	3/1/24	50,000	67,225
2025	8,175	7,250	3/1/25	50,000	65,425
2026	7,250	6,287	3/1/26	50,000	63,537
2027	6,287	5,300	3/1/27	50,000	61,587
2028	5,300	4,288	3/1/28	50,000	59,588
2029	4,288	3,250	3/1/29	50,000	57,538
2030	3,250	2,188	3/1/30	50,000	55,438
2031	2,188	1,100	3/1/31	50,000	53,288
2032	1,100	-	3/1/32	50,001	51,101
	<u>\$ 86,919</u>	<u>\$ 76,400</u>		<u>\$ 550,001</u>	<u>\$ 713,320</u>
			<i>Principal</i>	<i>Interest</i>	<i>Totals</i>
Allocation by activity:					
Governmental activities			\$ 311,934	\$ 92,626	\$ 404,560
Business-type activities			<u>238,067</u>	<u>70,693</u>	<u>308,760</u>
			<u>\$ 550,001</u>	<u>\$ 163,319</u>	<u>\$ 713,320</u>

Village of Middleville**LOCAL DEVELOPMENT FINANCE AUTHORITY****SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS****\$745,509 2013 BARRY COUNTY CONTRACT PAYABLE***December 31, 2019*

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>February 1</i>	<i>August 1</i>			
2020	\$ 5,922	\$ 7,059	2/1/20	\$ 65,904	\$ 78,885
2021	5,408	6,019	2/1/21	65,518	76,945
2022	4,764	4,950	2/1/22	60,122	69,836
2023	4,103	3,825	2/1/23	59,715	67,643
2024	3,395	2,625	2/1/24	59,298	65,318
2025	2,625	1,349	2/1/25	75,000	78,974
2026	1,349	-	2/1/26	75,000	76,349
	<u>\$ 27,566</u>	<u>\$ 25,827</u>		<u>\$ 460,557</u>	<u>\$ 513,950</u>

Village of Middleville

SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$136,000 2013 BARRY COUNTY DRAIN COMMISSION CONTRACT PAYABLE

December 31, 2019

<i>Fiscal period</i>	<i>Interest February 1</i>	<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
2020	\$ 1,551	2/28/20	\$ 13,600	\$ 15,151
2021	1,033	2/28/21	13,600	14,633
2022	<u>517</u>	2/28/22	<u>13,600</u>	<u>14,117</u>
	<u>\$ 3,101</u>		<u>\$ 40,800</u>	<u>\$ 43,901</u>

Village of Middleville**SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS****\$410,000 2014 CAPITAL IMPROVEMENT BONDS PAYABLE***December 31, 2019*

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>March 1</i>	<i>September 1</i>			
2020	\$ 6,107	\$ 5,858	3/1/20	\$ 20,000	\$ 31,965
2021	5,858	5,582	3/1/21	20,000	31,440
2022	5,582	5,288	3/1/22	20,000	30,870
2023	5,288	4,893	3/1/23	25,000	35,181
2024	4,893	4,476	3/1/24	25,000	34,369
2025	4,476	4,030	3/1/25	25,000	33,506
2026	4,030	3,564	3/1/26	25,000	32,594
2027	3,564	3,067	3/1/27	25,000	31,631
2028	3,067	2,558	3/1/28	25,000	30,625
2029	2,558	2,023	3/1/29	25,000	29,581
2030	2,023	1,366	3/1/30	30,000	33,389
2031	1,366	690	3/1/31	30,000	32,056
2032	690	-	3/1/32	30,000	30,690
	<u>\$ 49,502</u>	<u>\$ 43,395</u>		<u>\$ 325,000</u>	<u>\$ 417,897</u>

Village of Middleville

SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$145,000 2014 INSTALLMENT PURCHASE AGREEMENT

December 31, 2019

<i>Fiscal period</i>	<i>Interest February 1</i>	<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
2020	\$ 2,070	4/01/20	\$ 14,491	\$ 16,561
2021	1,671	4/01/21	14,890	16,561
2022	1,272	4/01/22	15,289	16,561
2023	859	4/01/23	15,702	16,561
2024	436	4/01/24	16,125	16,561
	<u>\$ 6,308</u>		<u>\$ 76,497</u>	<u>\$ 82,805</u>

Village of Middleville

SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$995,000 2017 GENERAL OBLIGATION LIMITED TAX SERIES

December 31, 2019

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>March 1</i>	<i>September 1</i>			
2020	\$ 12,960	\$ 12,680	3/1/20	\$ 40,000	\$ 52,960
2021	12,680	12,350	3/1/21	40,000	52,680
2022	12,350	11,970	3/1/22	40,000	52,350
2023	11,970	11,570	3/1/23	40,000	51,970
2024	11,570	11,140	3/1/24	40,000	51,570
2025	11,140	10,611	3/1/25	45,000	56,140
2026	10,611	10,049	3/1/26	45,000	55,611
2027	10,049	9,464	3/1/27	45,000	55,049
2028	9,464	8,789	3/1/28	50,000	59,464
2029	8,789	8,076	3/1/29	50,000	58,789
2030	8,076	7,265	3/1/30	55,000	63,076
2031	7,265	6,426	3/1/31	55,000	62,265
2032	6,426	5,481	3/1/32	60,000	66,426
2033	5,481	4,506	3/1/33	60,000	65,481
2034	4,506	3,501	3/1/34	60,000	64,506
2035	3,501	2,380	3/1/35	65,000	68,501
2036	2,380	1,243	3/1/36	65,000	67,380
2037	1,243	-	3/1/37	70,000	71,243
	<u>\$ 150,461</u>	<u>\$ 137,501</u>		<u>\$ 925,000</u>	<u>\$ 1,075,461</u>

Village of Middleville

SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$45,200 2016 INSTALLMENT PURCHASE AGREEMENT

December 31, 2019

<i><u>Fiscal period</u></i>	<i><u>Interest July 1</u></i>	<i><u>Maturity date</u></i>	<i><u>Principal</u></i>	<i><u>Total requirements</u></i>
2020	\$ <u>452</u>	07/01/20	\$ <u>11,300</u>	\$ <u>11,752</u>

Village of Middleville

SCHEDULE OF DEBT RETIREMENT AND ANNUAL INTEREST REQUIREMENTS

\$385,000 2018 INSTALLMENT PURCHASE AGREEMENT

December 31, 2019

<i>Fiscal period</i>	<i>Interest February 1</i>	<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
2020	\$ 9,248	02/01/20	\$ 57,800	\$ 67,048
2021	6,936	02/01/21	57,800	64,736
2022	4,624	02/01/22	57,800	62,424
2023	<u>2,312</u>	02/01/23	<u>37,800</u>	<u>40,112</u>
	<u>\$ 23,120</u>		<u>\$ 211,200</u>	<u>\$ 234,320</u>