

VILLAGE OF LAKE ODESSA
FINANCIAL STATEMENTS
For the year ended February 28, 2023

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INDEPENDENT AUDITORS' REPORT

To the Village Council
Lake Odessa, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Lake Odessa, Michigan, as of and for the year ended February 28, 2023, and the related notes to the financial statements, which collectively comprise the Village of Lake Odessa, Michigan's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Lake Odessa, Michigan, as of February 28, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Lake Odessa, Michigan's basic financial statements. The accompanying balance sheet and statement of revenues, expenditures and changes in fund balance is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the balance sheet and statement of revenues, expenditures and changes in fund balance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2023 on our consideration of the Village of Lake Odessa, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of Lake Odessa, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Lake Odessa, Michigan's internal control over financial reporting and compliance.

Hastings, MI
July 31, 2023

Walker, Fluke & Sheldon PC

Management's Discussion and Analysis

As the Village Council of the Village of Lake Odessa, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of Village of Lake Odessa for the fiscal year ended February 28, 2023. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Village. We encourage readers to consider this information in conjunction with the letter of transmittal, which begins on page 1, and the financial statements, which begin on page 9.

Financial Highlights

- The assets of Village of Lake Odessa exceeded its liabilities at the close of the most recent fiscal year by \$12,512,813 (net position) compared to \$12,034,277 last year. Of this amount, \$2,399,474 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$478,536 compared to an increase of \$687,995 last year.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$2,322,090 an increase of \$299,670 compared to an ending fund balance of \$2,022,420 a decrease of \$327,150 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,103,498 or 142.73% of total general fund expenditures. Last year the unassigned fund balance for the general fund was \$916,726 or 108.87% total general fund expenditures.

Overview of the Financial Statements

The Village of Lake Odessa's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Village's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the Village's financial position is improving or deteriorating.

The statement of activities presents information showing how the Village's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., state shared revenue).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, public works, community and economic development and recreation and cultural. The business-type activities of the Village include water services. The government-wide financial statements include not only the Village of Lake Odessa itself (known as the primary government), but also a legally separate Downtown Development Authority for which the Village is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Village of Lake Odessa, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village of Lake Odessa maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Major Streets, Local Streets and Road Funds, which are considered to be major funds. The basic governmental fund financial statements can be found on pages 10-13 of this report.

Proprietary funds. The Village maintains one proprietary fund. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The Village uses an enterprise fund to account for the Water Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund, of which is considered to be a major fund of the Village. The proprietary fund financial statements can be found on pages 14-16 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are available to support the Village's own programs. The fiduciary fund financial statement can be found on page 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-34 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required and additional supplementary information. The Village adopts an annual budget for its general, major street, local street, and road funds. Within the required supplementary information, budget comparison statements have been provided for these funds to demonstrate compliance with the budget. Also, pension related schedules have been provided describing pension related information. Required supplementary information can be found on pages 35-42 of this report. Additional supplementary information on the Downtown Development Authority is presented immediately following the required supplementary information on budgets on pages 43-44 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Village of Lake Odessa, assets exceeded liabilities by \$12,512,813 at the close of the most recent fiscal year.

\$2,399,474 of the Village's net position (19.18 percent) reflects its unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors. An additional portion of the Village's net position (12.12 percent) reflects restricted net position \$1,516,785, which are resources that are subject to external restrictions on how they may be used. The remaining portion of the Village's net position (68.70 percent) reflects its investment in capital assets \$8,596,554 (e.g. land, buildings, equipment and furniture and fixtures). The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Village of Lake Odessa's Condensed Financial Data

	<u>Governmental</u>		<u>Business-Type</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current and Other Assets	\$ 2,601,346	\$ 2,203,583	\$ 1,475,832	\$ 1,326,645
Capital Assets	3,840,659	3,859,482	8,727,504	8,928,964
Total Assets	<u>6,442,005</u>	<u>6,063,065</u>	<u>10,203,336</u>	<u>10,255,609</u>
Deferred Outflows of Resources	70,783	78,249	-	-
Short-Term Liabilities	202,132	204,653	129,060	125,344
Long-Term Liabilities	515,400	638,650	3,219,909	3,339,009
Total Liabilities	<u>717,532</u>	<u>843,303</u>	<u>3,348,969</u>	<u>3,464,353</u>
Deferred Inflows of Resources	136,810	54,990	-	-
Net Position				
Invested in Capital Assets, Net of Related Debt	3,208,059	3,108,932	5,388,495	5,477,855
Restricted	1,145,605	1,040,816	371,180	317,010
Unrestricted	1,304,782	1,093,273	1,094,692	996,391
Total Net Position	<u>\$ 5,658,446</u>	<u>\$ 5,243,021</u>	<u>\$ 6,854,367</u>	<u>\$ 6,791,256</u>
Program Revenues				
Charges for Services	\$ 48,917	\$ 40,300	\$ 1,032,391	\$ 967,152
Operating Grants and Contributions	397,158	399,749	-	-
Capital Grants and Contributions	-	34,952	-	-
General Revenues				
Property Taxes	741,940	717,240	-	-
State Grants	391,656	359,590	-	-
Investment Income	17,103	8,517	4,751	4,482
Other	71,436	74,872	-	-
Gain (Loss) on Disposal of Fixed Assets	(2,580)	(1,735)	7,500	-
Total Revenues	<u>1,665,630</u>	<u>1,633,485</u>	<u>1,044,642</u>	<u>971,634</u>
Program Expenses				
Governmental Activities				
Legislative	79,370	59,375	-	-
General Government	180,361	9,727	-	-
Public Safety	286,708	339,514	-	-
Public Works	627,174	584,447	-	-
Community and Economic Development	9,829	9,384	-	-
Recreation and Culture	53,467	57,206	-	-
Interest and Fiscal Charges	13,296	15,488	-	-
Business-Type Activities				
Water	-	-	906,152	764,218
Interest and Fiscal Charges	-	-	75,379	77,765
Total Expenses	<u>1,250,205</u>	<u>1,075,141</u>	<u>981,531</u>	<u>841,983</u>
Change in Net Position	<u>\$ 415,425</u>	<u>\$ 558,344</u>	<u>\$ 63,111</u>	<u>\$ 129,651</u>

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental activities.

Governmental activities. Governmental activities increased the Village's net position by \$415,425 mainly due to increases in several revenue categories.

Business-Type activities. Business-type activities increased the Village's net position by \$63,111 mainly due to increased water revenues.

Financial Analysis of the Village's Funds

As noted earlier, the Village used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Village's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$2,322,090 an increase of \$299,670. Last year, the Village's governmental funds combined ending fund balance was \$2,022,420 a decrease of \$327,150.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,103,498 and the total fund balance was \$1,216,191. Unassigned fund balance represents 142.73% of the total general fund expenditures.

The fund balance of the Village's general fund increased by \$211,131 during the current fiscal year.

Proprietary funds. The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

As of the end of the current fiscal year, the Village's water fund reported unrestricted net position of \$1,094,692. The water fund had an increase in net position of \$63,111.

General Fund Budgetary Highlights

The most significant changes to the budget during the fiscal year can be summarized by:

- \$140,000 decrease to State Grants
- \$60,000 decrease to Contributions from Local Units
- \$9,328 increase to Legislative
- \$5,256 increase to Manager
- \$18,362 decrease to Buildings and Grounds
- \$17,245 decrease to Garage and Maintenance
- \$39,804 decrease to Police
- \$19,155 decrease to Parks
- \$115,226 decrease to Capital Outlay

Capital Assets

The Village's investment in capital assets for its governmental activities as of February 28, 2023, amounts to \$3,840,659 (net of accumulated depreciation). This investment in capital assets includes: land, buildings, improvements, equipment and furniture and fixtures.

Major capital asset events during the current fiscal year included the purchases of gutters, trailer, utility tractor, furnace, buffalo blower, security system, a new server, and an upgrade to the park path. The water fund purchased a zero turn mower, rammer, and two overhaul pumps. Details of the Village's capital assets are continued in the notes to the financial statements on pages 25 and 26.

Long-Term Debt

At the end of the current fiscal year, the Village had total bonded debt outstanding of \$3,970,309, and general obligation debt of \$21,357. The Village's debt represents bonds secured by specified revenue sources, equipment secured by the equipment and compensated absences, respectively.

**The Village's Outstanding Debt
General Obligation and Revenue Bonds**

	Governmental-Type Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Primary Government:						
Revenue Bonds	\$ 631,300	\$ 743,200	\$ 3,339,009	\$ 3,451,109	\$ 3,970,309	\$ 4,194,309
Notes Payable	1,300	7,350	-	-	1,300	7,350
Compensated Absences	20,057	18,782	-	-	20,057	18,782
Total	\$ 652,657	\$ 769,332	\$ 3,339,009	\$ 3,451,109	\$ 3,991,666	\$ 4,220,441

The Village's debt decreased by \$228,775 during the current fiscal year.

Additional information on the Village's long-term debt can be found on pages 27 and 28 of the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Village of Lake Odessa emerged from the pandemic in a strong position, with positive revenue growth and rising home values across the Village. The Village government, continuing its historically conservative fiscal approach, has maintained a healthy fund balance. Village leaders are committed to maintaining this financial stability while being open to opportunities which address long-term needs and improve service delivery to residents. The most notable investment during fiscal year 2022 was in staffing and saw the creation of a new, part-time Code Enforcement Officer within the Police Department. Among other responsibilities, this position is tasked with fostering compliance with Village Code addressing blight, signage, and other issues related to property use.

Requests for Information

This financial report is designed to provide a general overview of Village of Lake Odessa's finances for all those with an interest in the village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the (Village Manager/Treasurer), Village of Lake Odessa, 839 Fourth Ave, Lake Odessa, MI 48849. 616-374-7110.

VILLAGE OF LAKE ODESSA
GOVERNMENT-WIDE STATEMENT OF NET POSITION
February 28, 2023

<u>ASSETS</u>	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Downtown Development Authority</u>
Cash and Cash Equivalents	\$ 2,001,895	\$ 1,203,453	\$ 3,205,348	\$ 80,476
Investments	468,455	131,991	600,446	-
Receivables (Net)				
Accounts	-	136,436	136,436	-
Other	5,049	-	5,049	-
Due from State	88,640	-	88,640	-
Due from other Funds	37,307	3,952	41,259	-
Due from other Units of Government	-	-	-	16,984
Capital Assets not being Depreciated	-	2,150	2,150	-
Capital Assets being Depreciated, Net	<u>3,840,659</u>	<u>8,725,354</u>	<u>12,566,013</u>	<u>-</u>
Total Assets	<u>6,442,005</u>	<u>10,203,336</u>	<u>16,645,341</u>	<u>97,460</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Outflows	<u>70,783</u>	<u>-</u>	<u>70,783</u>	<u>-</u>
LIABILITIES				
Accounts Payable	20,333	2,336	22,669	110
Escrow Payable	456	-	456	-
Accrued Liabilities	3,834	7,624	11,458	-
Due to other Funds	40,252	-	40,252	-
Noncurrent Liabilities				
Due within One Year	137,257	119,100	256,357	-
Due in more than One Year	<u>515,400</u>	<u>3,219,909</u>	<u>3,735,309</u>	<u>-</u>
Total Liabilities	<u>717,532</u>	<u>3,348,969</u>	<u>4,066,501</u>	<u>110</u>
DEFERRED INFLOWS OF RESOURCES				
Net Pension Liability	116,022	-	116,022	-
Deferred Pension Inflows	<u>20,788</u>	<u>-</u>	<u>20,788</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>136,810</u>	<u>-</u>	<u>136,810</u>	<u>-</u>
NET POSITION				
Net Position				
Invested in Capital Assets, Net of Related Debt	3,208,059	5,388,495	8,596,554	-
Restricted for Roads	1,105,899	-	1,105,899	-
Restricted for Community Activities	39,706	-	39,706	97,350
Restricted for Debt	-	151,876	151,876	-
Restricted for Improvements	-	219,304	219,304	-
Unrestricted	<u>1,304,782</u>	<u>1,094,692</u>	<u>2,399,474</u>	<u>-</u>
Total Net Position	<u>\$ 5,658,446</u>	<u>\$ 6,854,367</u>	<u>\$ 12,512,813</u>	<u>\$ 97,350</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF LAKE ODESSA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended February 28, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Downtown Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities								
Legislative	\$ 79,370	\$ -	\$ -	\$ -	\$ (79,370)	\$ -	\$ (79,370)	
General Government	180,361	46,481	1,500	-	(132,380)	-	(132,380)	
Public Safety	286,708	2,436	107,190	-	(177,082)	-	(177,082)	
Public Works	627,174	-	281,168	-	(346,006)	-	(346,006)	
Community and Economic Development	9,829	-	-	-	(9,829)	-	(9,829)	
Recreation and Culture	53,467	-	7,300	-	(46,167)	-	(46,167)	
Interest and Fiscal Charges	13,296	-	-	-	(13,296)	-	(13,296)	
Total Governmental Activities	1,250,205	48,917	397,158	-	(804,130)	-	(804,130)	
Business-Type Activities								
Water	906,152	1,032,391	-	-	-	126,239	126,239	
Interest and Fiscal Charges	75,379	-	-	-	-	(75,379)	(75,379)	
Total Business-Type Activities	981,531	1,032,391	-	-	-	50,860	50,860	
Total Primary Government	\$ 2,231,736	\$ 1,081,308	\$ 397,158	\$ -	(804,130)	50,860	(753,270)	
Component Unit								
Downtown Development Authority	\$ 6,561	\$ -	\$ -	\$ -				(6,561)
Total Component Unit	\$ 6,561	\$ -	\$ -	\$ -				(6,561)
General Revenues								
Taxes and Penalties					741,940	-	741,940	39,828
State Grants					391,656	-	391,656	-
Investment Income					17,103	4,751	21,854	93
Other					71,436	-	71,436	860
Total General Revenue					1,222,135	4,751	1,226,886	40,781
Gain (Loss) on Disposal of Capital Assets					(2,580)	7,500	4,920	-
Change in Net Position					415,425	63,111	478,536	34,220
Net Position-Beginning					5,243,021	6,791,256	12,034,277	63,130
Net Position-Ending					\$ 5,658,446	\$ 6,854,367	\$ 12,512,813	\$ 97,350

VILLAGE OF LAKE ODESSA
GOVERNMENTAL FUNDS BALANCE SHEET
February 28, 2023

ASSETS	General	Major Streets	Local Streets	Road Fund	Total Governmental Funds
Cash and Cash Equivalents	\$ 1,153,355	\$ 331,387	\$ 239,751	\$ 277,402	\$ 2,001,895
Investments	219,447	111,305	-	137,703	468,455
Receivables					
Other	5,049	-	-	-	5,049
Due from State	40,329	35,768	12,543	-	88,640
Due from Other Funds	<u>37,295</u>	<u>-</u>	<u>-</u>	<u>12</u>	<u>37,307</u>
Total Assets	<u>\$ 1,455,475</u>	<u>\$ 478,460</u>	<u>\$ 252,294</u>	<u>\$ 415,117</u>	<u>\$ 2,601,346</u>
LIABILITIES					
Accounts Payable	\$ 20,333	\$ -	\$ -	\$ -	\$ 20,333
Escrow Payable	456	-	-	-	456
Accrued Liabilities	150	-	-	3,684	3,834
Due to Other Funds	<u>3,964</u>	<u>21,872</u>	<u>14,416</u>	<u>-</u>	<u>40,252</u>
Total Liabilities	<u>24,903</u>	<u>21,872</u>	<u>14,416</u>	<u>3,684</u>	<u>64,875</u>
DEFERRED INFLOWS					
ARPA	<u>214,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>214,381</u>
Total Deferred Inflows	<u>214,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>214,381</u>
FUND BALANCE					
Restricted	39,706	456,588	237,878	411,433	1,145,605
Committed	72,987	-	-	-	72,987
Unassigned	<u>1,103,498</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,103,498</u>
Total Fund Balances	<u>1,216,191</u>	<u>456,588</u>	<u>237,878</u>	<u>411,433</u>	<u>2,322,090</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,455,475</u>	<u>\$ 478,460</u>	<u>\$ 252,294</u>	<u>\$ 415,117</u>	<u>\$ 2,601,346</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF LAKE ODESSA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
February 28, 2023

Governmental Fund Balance - February 28, 2023		\$ 2,322,090
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Governmental capital assets	\$8,256,412	
Less: accumulated depreciation	<u>(4,415,753)</u>	3,840,659
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Bonds payable	(631,300)	
Notes payable	(1,300)	
Accumulated vacation and sick leave	(20,057)	
Net pension liability	<u>(116,022)</u>	(768,679)
Deferred inflows reported in governmental funds are recognized as revenues in the governmental activities:		
Pension		(20,788)
ARPA funds		214,381
Deferred outflows reported in governmental funds are recognized as expenditures in the governmental activities:		
Pension		<u>70,783</u>
Net Position of Governmental Activities		<u>\$ 5,658,446</u>

The Notes to Financial Statements are an intergral part of this statement.

VILLAGE OF LAKE ODESSA
GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Year Ended February 28, 2023

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Road Fund</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes and Penalties	\$ 514,928	\$ -	\$ -	\$ 227,012	\$ 741,940
Licenses and Permits	5,993	-	-	-	5,993
State Grants	375,704	208,174	72,994	23,252	680,124
Fines and Forfeitures	2,436	-	-	-	2,436
Interest and Rentals	9,691	3,164	631	3,617	17,103
Charges for Services	40,488	-	-	-	40,488
Other Revenue	<u>32,742</u>	<u>14</u>	<u>40,170</u>	<u>10</u>	<u>72,936</u>
Total Revenues	<u>981,982</u>	<u>211,352</u>	<u>113,795</u>	<u>253,891</u>	<u>1,561,020</u>
Expenditures					
Current					
Legislative	79,370	-	-	-	79,370
General Government	80,804	-	-	-	80,804
Public Safety	273,621	-	-	-	273,621
Public Works	180,500	116,983	190,067	58,253	545,803
Community and Economic Development	9,829	-	-	-	9,829
Recreation and Culture	30,482	-	-	-	30,482
Debt Service					
Principal	6,050	-	-	111,900	117,950
Interest	-	-	-	13,296	13,296
Capital Outlay	<u>112,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,499</u>
Total Expenditures	<u>773,155</u>	<u>116,983</u>	<u>190,067</u>	<u>183,449</u>	<u>1,263,654</u>
Excess of Revenues Over (Under)					
Expenditures	<u>208,827</u>	<u>94,369</u>	<u>(76,272)</u>	<u>70,442</u>	<u>297,366</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	2,304	-	-	-	2,304
Operating Transfers In (Out)	<u>-</u>	<u>(27,589)</u>	<u>27,589</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources					
(Uses)	<u>2,304</u>	<u>(27,589)</u>	<u>27,589</u>	<u>-</u>	<u>2,304</u>
Excess of Revenues and Other					
Sources Over (Under) Expenditures					
and Other Uses	211,131	66,780	(48,683)	70,442	299,670
Fund Balance-March 1, 2022	<u>1,005,060</u>	<u>389,808</u>	<u>286,561</u>	<u>340,991</u>	<u>2,022,420</u>
Fund Balance-February 28, 2023	<u>\$ 1,216,191</u>	<u>\$ 456,588</u>	<u>\$ 237,878</u>	<u>\$ 411,433</u>	<u>\$ 2,322,090</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF LAKE ODESSA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
For the Year Ended February 28, 2023

Net Change in Fund Balances - Total Governmental Funds		\$ 299,670
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund		107,190
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		(1,275)
Repayment of bonds and notes payable principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces debt)		117,950
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives		
Expenditures for capital assets	\$ 112,499	
Expenditures for infrastructure assets	238,893	
Less: Current year depreciation	(365,332)	
Less: Proceeds from sale of fixed assets	(2,304)	
Less: Loss on sale of fixed assets	<u>(2,580)</u>	(18,824)
Government funds report pension expenditures. However, in the statement of activities, the costs of pension expenses are deferred for timing differences		1,965
Net (increase) decrease in pension liability		<u>(91,251)</u>
Change in Net Position of Governmental Activities		<u>\$ 415,425</u>

VILLAGE OF LAKE ODESSA
PROPRIETARY FUNDS STATEMENT OF NET POSITION
February 28, 2023

	Enterprise Fund Water System	Total
ASSETS		
Cash and Cash Equivalents	\$ 1,203,453	\$ 1,203,453
Investments	131,991	131,991
Receivables (Net)		
Accounts	136,436	136,436
Due from Other Funds	3,952	3,952
Capital Assets not being Depreciated	2,150	2,150
Capital Assets being Depreciated, Net	8,725,354	8,725,354
Total Assets	\$ 10,203,336	\$ 10,203,336
LIABILITIES		
Accounts Payable	\$ 2,336	\$ 2,336
Accrued Liabilities	7,624	7,624
Bonds Payable	3,339,009	3,339,009
Total Liabilities	3,348,969	3,348,969
NET POSITION		
Investment in Capital Assets, Net of Related Debt	5,388,495	5,388,495
Restricted	371,180	371,180
Unrestricted	1,094,692	1,094,692
Total Net Position	6,854,367	6,854,367
Total Liabilities and Net Position	\$ 10,203,336	\$ 10,203,336

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF LAKE ODESSA
PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended February 28, 2023

	Enterprise Fund Water System	Total
Operating Revenues		
Charges for Services	\$ 1,020,823	\$ 1,020,823
Other Operating Revenue	11,568	11,568
Total Operating Revenues	1,032,391	1,032,391
Operating Expenses		
Administration	51,375	51,375
Salaries and Fringe Benefits	252,112	252,112
Supplies	39,873	39,873
Office Supplies	3,555	3,555
Professional	3,353	3,353
Contractual Services	39,462	39,462
Repairs and Maintenance	170,072	170,072
Gasoline	7,088	7,088
Depreciation	254,655	254,655
Dues and Memberships	2,880	2,880
Telephone	5,071	5,071
Utilities	56,567	56,567
Education and Training	773	773
Insurance and Bonds	17,078	17,078
Water Testing	2,238	2,238
Total Operating Expenses	906,152	906,152
Operating Income	126,239	126,239
Nonoperating Revenues (Expenses)		
Gain on Sale of Fixed Assets	7,500	7,500
Interest Earned on Investments	4,751	4,751
Interest Expense	(75,379)	(75,379)
Total Nonoperating Revenues (Expenses)	(63,128)	(63,128)
Change in Net Position	63,111	63,111
Net Position-March 1, 2022	6,791,256	6,791,256
Net Position-February 28, 2023	\$ 6,854,367	\$ 6,854,367

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF LAKE ODESSA
PROPRIETARY FUNDS STATEMENT OF CASH FLOWS
For the Year Ended February 28, 2023

	Enterprise Fund Water System	Total
Cash Flows from Operating Activities:		
Cash Charges for Services	\$ 1,014,643	\$ 1,014,643
Other Operating Revenue	11,568	11,568
Administrative Costs	(51,375)	(51,375)
Cash Payments to Employees for Services	(248,564)	(248,564)
Cash Payments to Suppliers for Goods and Services	(350,911)	(350,911)
Net Cash Provided by Operating Activities	375,361	375,361
Cash Flows from Capital and Related Financing Activities:		
Payment of Principal	(112,100)	(112,100)
Payment of Interest	(75,762)	(75,762)
Net Cash used by Capital and Related Financing Activities	(187,862)	(187,862)
Cash Flows from Investing Activities:		
Interest Earned on Cash Equivalents and Investments	4,751	4,751
Purchase of Capital Assets	(53,195)	(53,195)
Net Cash Provided (Used) by Investing Activities	(48,444)	(48,444)
Net Increase in Cash and Cash Equivalents	139,055	139,055
Cash and Cash Equivalents at Beginning of the Year (Including \$317,010 in restricted accounts)	1,196,389	1,196,389
Cash and Cash Equivalents at End of the Year (Including \$371,180 in restricted accounts)	\$ 1,335,444	\$ 1,335,444
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 126,239	\$ 126,239
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	254,655	254,655
Gain on Sale of Capital Assets	7,500	7,500
Decrease (Increase) in Receivables	(6,180)	(6,180)
Decrease (Increase) in Due From Other Funds	(3,952)	(3,952)
(Decrease) Increase in Accounts Payable	(2,901)	(2,901)
Net Cash Provided by Operating Activities	\$ 375,361	\$ 375,361

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF LAKE ODESSA
FIDUCIARY FUNDS STATEMENT OF NET POSITION
February 28, 2023

ASSETS	Trust and Agency
Current Assets	
Cash and Cash Equivalents	\$ <u>4,767</u>
Total Assets	<u>\$ 4,767</u>
LIABILITIES	
Current Liabilities	
Due to Other Funds	\$ 1,007
Due to Other Units of Government	<u>3,760</u>
Total Liabilities	<u>\$ 4,767</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF LAKE ODESSA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Lake Odessa conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Lake Odessa:

REPORTING ENTITY

The Village operates under an elected council of seven members and provides services to its residents in many areas including police protection, maintenance of Village streets and other property, water and general Village administration. Education services are provided to citizens through several local school districts, which are separate governmental entities. Fire and ambulance services are provided by outside entities. The Village is assessed for its respective share of the expenditures.

DISCRETELY PRESENTED COMPONENT UNIT

Downtown Development Authority (DDA)

The downtown development authority was created to correct and prevent deterioration in the downtown district, to encourage historical preservation, and to promote economic growth within the downtown district. The members of the governing board of the downtown development authority are appointed by the Village Council. The Village has the ability to significantly influence operations of the downtown development authority.

Complete financial statements for the component unit are not separately reported.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, 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 net position includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net position is reported in three parts: invested in capital assets, net of related debt; restricted net position; and unrestricted net positions.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF LAKE ODESSA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fund and fiduciary fund financial statements. Revenue is 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are 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; therefore, they have been recognized as revenue in the current fiscal period. All other revenues are considered to be measurable only when cash is received by the Village.

Taxes Receivable - The Village property tax is levied on each July 1st based on the taxable valuation of property located in the Village as of the preceding December 31st.

It is the Village's policy to recognize revenue from the current tax levy in the year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2022 State taxable valuation of the Village totaled \$51,605,268 on which ad valorem taxes levied consisted of 10.1216 mills for Village operating purposes and 4.5361 mills for Village street operations, raising \$522,328 for operating and \$234,087 for street operations. The amounts recognized in the General Fund financial statements as current property tax revenue represent 2022 taxes levied.

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 general government, 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 accounts for the maintenance of all major streets and trunk lines. Financing is provided by special revenues from provisions of Act 51 of 1951 as amended.
- The Local Street Fund accounts for the maintenance of all local streets. Financing is provided by special revenues from provisions of Act 51 of 1951 as amended.
- The Road Fund accounts for the maintenance of the Village's roads. Revenues are primarily derived from property taxes.

The Village reports the following major proprietary funds:

- The Water Fund accounts for the operation and maintenance of the water supply system, capital additions, and retirement of revenue bonds. Financing is provided by user charges and contributions by other funds and customers.

VILLAGE OF LAKE ODESSA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(Continued)

Additionally, the government reports the following fund types:

- The Trust and Agency Fund accounts for the assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenue 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 revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering products in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water fund also recognizes the portion of tap fees intended to recover current cost (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances 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."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Taxes are payable through August 31st, and at that time, all unpaid taxes are deemed delinquent and turned over to Ionia County. Ionia County remits payment to the Village of Lake Odessa on all delinquent property taxes.

Committed Assets - The Village has committed assets for capital purchases and community activities. By committing a portion of the fund balance for a specific purpose, the Village has limited the use of the funds for that specific purpose, unless the council rescinds via resolution.

Restricted Assets - The Village has restricted assets for roads, community activities, debt and improvements. By restricting a portion of the net position for a specific purpose, the Village has limited the use of the funds for that specific purpose only. The Village Council cannot change the amounts restricted and cannot spend the restricted funds for any other purpose than roads and community activities.

VILLAGE OF LAKE ODESSA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

<u>General Assets</u>	
Buildings and Improvements	30 to 50 years
Water System	20 to 50 years
Land Improvements	20 years
Equipment	5 to 15 years
Data Processing	5 years
Furniture	10 years
<u>Infrastructure Assets</u>	
Roads	8 to 30 years
Bridges	12 to 50 years
Sidewalks	10 to 30 years
Drains, Curbs, Gutters	8 to 40 years

Deferred Outflows - This reflects a decrease in net position that applies to a future period. The deferred outflows related to the defined benefit pension plan.

Deferred Inflows - This reflects an increase in net position that applies to a future period. The deferred inflows related to the defined benefit pension plan.

Fund Equity - In March 2009 the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-Type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned.

VILLAGE OF LAKE ODESSA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (Continued)

Fund Equity - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- **Committed:** Amounts that have been formally set aside by the council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the council.
- **Assigned:** Intent to spend resources on specific purposes expressed by the council, or the director, who is authorized by resolution approved by the council to make assignments.
- **Unassigned:** All other amounts available for any purpose.

Restricted/Unrestricted Resources - When expenses are incurred for which both restricted and unrestricted resources are available, it is the Village's policy to first apply restricted resources. Once restricted resources are exhausted, the Village's policy is to apply unrestricted resources in the following order: committed, assigned, and unassigned.

Compensated Absences (Vacation and Sick Leave) - Village employees earn from 10-25 vacation days a year. The amount of vacation pay earned is determined according to the length of their employment. Vacation time not taken or paid in lieu prior to each individual's hire anniversary date each year is forfeited. Upon termination, all unearned and unused vacation pay is paid at current wage rates.

Sick leave benefits are earned by hourly employees at a rate of 1.85 hours per pay period of service worked. Upon voluntary termination, with eight years of service with the employer and upon submitting written notice at least two weeks prior to termination, the employee shall be paid for 50% of documented accrued sick leave, not to exceed 20 days, at the current wage rate. Employees that are involuntarily discharged are not eligible for payment of unused sick days. Salaried and hourly employees can carry forward 30 days for use in a subsequent year.

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Budgets are adopted for general and special revenue funds, which are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The village manager submits to the village council a proposed annual budget prior to February 28. A Public Hearing is conducted to obtain taxpayers' comments. The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

**VILLAGE OF LAKE ODESSA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2023**

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETED FUNDS

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended February 28, 2023, the Village incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

<u>FUND</u>	<u>BUDGET APPROPRIATION</u>	<u>ACTUAL EXPENDITURE</u>	<u>BUDGET VARIANCE</u>
General			
General Government			
Manager	\$ 55,305	\$ 56,416	\$ 1,111
Debt Service			
Principal	\$ -	\$ 6,050	\$ 6,050
Major			
Street Administration	\$ 101,500	\$ 104,542	\$ 3,042
Local			
Street Administration	\$ 177,883	\$ 183,347	\$ 5,464

ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Village of Lake Odessa.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91, authorizes the Village to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village has designated one bank, one savings bank and two credit unions for the deposit of the Village of Lake Odessa funds. The DDA has designated one bank for the deposit of the DDA's funds.

The Village's deposits and investments are in accordance with statutory authority.

VILLAGE OF LAKE ODESSA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2023

DEPOSITS AND INVESTMENTS (Continued)

At year-end, the Village's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Cash and Cash Equivalents	\$ 2,001,895	\$ 1,203,453	\$ 4,767	\$ 3,210,115	\$ 80,476
Investments	468,455	131,991	-	600,446	-
Restricted Assets	-	-	-	-	-
Total	<u>\$ 2,470,350</u>	<u>\$ 1,335,444</u>	<u>\$ 4,767</u>	<u>\$ 3,810,561</u>	<u>\$ 80,476</u>

The breakdown between deposits and investments is as follows:

Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 3,810,281	\$ 80,476
Investment in Securities (Mutual Funds and Similar Vehicles)	-	-
Petty Cash and Cash on Hand	<u>280</u>	<u>-</u>
Total	<u>\$ 3,810,561</u>	<u>\$ 80,476</u>

Custodial credit risk is the risk that the Village will not be able to recover its deposits in the event of financial institution failure. The Village's deposits are exposed to custodial credit risk if they are not covered by federal depository or securities investor insurance and are uncollateralized. At February 28, 2023, the Village had deposits with a carrying amount of \$3,810,281 and a bank balance of \$3,839,942. Of the bank balance, \$793,995 is covered by federal depository insurance, \$3,045,947 is uninsured and \$0 is collateralized. The DDA has deposits with a carrying amount of \$80,476 and a bank balance of \$80,476. Of the bank balance, \$80,476 is covered by federal depository insurance, \$0 is uninsured and \$0 is collateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of the FDIC and SIPC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The Village has, however, secured an agreement with Union Bank. Union Bank has pledged \$750,000 of FHLB Agency Notes to secure the Village's excess deposits. The Village's investment policy does not identify interest rate risk, foreign currency risk or concentration of credit risk.

VILLAGE OF LAKE ODESSA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2023

CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets being Depreciated/Amortized				
Buildings	\$ 664,749	\$ 5,749	\$ -	\$ 670,498
Land Improvements	425,479	16,800	9,000	433,279
Equipment	791,612	65,361	12,958	844,015
Data Processing Equipment	83,165	24,589	-	107,754
Infrastructure	<u>6,004,401</u>	<u>238,893</u>	<u>42,428</u>	<u>6,200,866</u>
Subtotal	<u>7,969,406</u>	<u>351,392</u>	<u>64,386</u>	<u>8,256,412</u>
Less Accumulated Depreciation/Amortization for				
Buildings	478,543	9,579	-	488,122
Land Improvements	158,560	20,945	6,534	172,971
Equipment	477,679	58,628	10,539	525,768
Data Processing Equipment	68,604	4,108	-	72,712
Infrastructure	<u>2,926,537</u>	<u>272,072</u>	<u>42,429</u>	<u>3,156,180</u>
Subtotal	<u>4,109,923</u>	<u>365,332</u>	<u>59,502</u>	<u>4,415,753</u>
Net Capital Assets being Depreciated/Amortized	<u>3,859,483</u>	<u>(13,940)</u>	<u>4,884</u>	<u>3,840,659</u>
Governmental Activities Total Capital Assets-Net of Depreciation/Amortization	<u>\$ 3,859,483</u>	<u>\$ (13,940)</u>	<u>\$ 4,884</u>	<u>\$ 3,840,659</u>

VILLAGE OF LAKE ODESSA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2023

CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets not being Depreciated/Amortized				
Land	\$ 2,150	\$ -	\$ -	\$ 2,150
Subtotal	2,150	-	-	2,150
Capital Assets being Depreciated/Amortized				
Buildings and Water System	11,127,955	39,010	-	11,166,965
Land Improvements	1,737	-	-	1,737
Office Equipment	15,518	-	-	15,518
Equipment	451,922	14,185	3,791	462,316
Subtotal	11,597,132	53,195	3,791	11,646,536
Less Accumulated Depreciation/Amortization for				
Buildings and Water System	2,267,742	231,540	-	2,499,282
Land Improvements	1,274	87	-	1,361
Office Equipment	15,518	-	-	15,518
Equipment	385,784	23,028	3,791	405,021
Subtotal	2,670,318	254,655	3,791	2,921,182
Net Capital Assets being Depreciated/Amortized	8,926,814	(201,460)	-	8,725,354
Governmental Activities Total				
Capital Assets-Net of Depreciation/Amortization	\$ 8,928,964	\$ (201,460)	\$ -	\$ 8,727,504

Depreciation/Amortization expense was charged to programs of the Village as follows:

Governmental Activities	
General Government	\$ 8,996
Public Safety	13,087
Public Works	320,264
Recreation and Culture	22,985
Total Governmental Activities	\$ 365,332
Business-Type Activities	
Water Fund	\$ 254,655
Total Business-Type Activities	\$ 254,655

**VILLAGE OF LAKE ODESSA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2023**

INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances is as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Fund</u>	<u>Interfund Payables</u>
General	\$ 37,295	General	\$ 3,964
Highway	12	Major	21,872
Water	<u>3,952</u>	Local	14,416
		Payroll	<u>1,007</u>
	<u>\$ 41,259</u>		<u>\$ 41,259</u>
<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Local Streets	<u>\$ 27,589</u>	Major Streets	<u>\$ 27,589</u>
	<u>\$ 27,589</u>		<u>\$ 27,589</u>

The interfund receivables and payables represent money owed to the funds for expenses paid by other funds for various expenses. The major street fund is allowed under Act 51 to share a portion of its Act 51 revenues with the local street fund.

LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

VILLAGE OF LAKE ODESSA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2023

LONG-TERM DEBT (Continued)

The following is a summary of the outstanding debt of the Village as of February 28, 2023:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>(Reduction)</u>	<u>Addition</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government							
Governmental Activities							
Bonds							
2017 Refunding Bond	2.260%	2029	\$ 364,000	\$ (38,500)	\$ -	\$ 325,500	\$ 41,300
2016 Refunding Bond	1.800%	2026	379,200	(73,400)	-	305,800	74,600
Note Payable	0.000%	2025	7,350	(6,050)	-	1,300	1,300
Other Liabilities							
Compensated Absences			18,782	-	1,275	20,057	20,057
Total Governmental Activities			<u>\$ 769,332</u>	<u>\$ (117,950)</u>	<u>\$ 1,275</u>	<u>\$ 652,657</u>	<u>\$ 137,257</u>
Business-Type Activities							
Water Bonds							
2017 Refunding Bond	2.260%	2029	\$ 156,000	\$ (16,500)	\$ -	\$ 139,500	\$ 17,700
2016 Rural Development	2.250%	2055	3,139,309	(69,000)	-	3,070,309	71,000
2016 Refunding Bond	1.800%	2026	155,800	(26,600)	-	129,200	30,400
Total Business-Type Activities			<u>\$ 3,451,109</u>	<u>\$ (112,100)</u>	<u>\$ -</u>	<u>\$ 3,339,009</u>	<u>\$ 119,100</u>

The compensated absence liability attributable to the governmental activities will be liquidated by the Village's governmental funds. The annual requirements to pay principal and interest on notes and long-term bonds outstanding for the primary government and component units are as follows:

<u>Year End Feb 28</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	117,200	11,723	119,100	74,087
2025	118,000	9,423	121,000	71,532
2026	124,200	7,087	126,800	68,909
2027 to 2031	273,200	9,887	596,800	307,905
2032 to 2036	-	-	450,000	257,322
2037 to 2041	-	-	503,000	205,550
2042 to 2046	-	-	563,000	147,612
2047 to 2051	-	-	601,000	82,857
2052 to 2056	-	-	258,309	17,353
Total	<u>\$ 632,600</u>	<u>\$ 38,120</u>	<u>\$ 3,339,009</u>	<u>\$ 1,233,127</u>

VILLAGE OF LAKE ODESSA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2023

RISK MANAGEMENT

The Village is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village manages its risk exposure and provides certain employee benefits through a combination of risk management pools and commercial insurance.

The Village participates in the Michigan Municipal League for general and automobile liability, motor vehicle physical damage, property damage, and workers' compensation coverages. The Michigan Municipal Liability and Property Pool were established pursuant to laws of the State of Michigan which authorizes local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the pool is to jointly exercise powers common to each participating member to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect any member of the authority against liability or loss.

The Michigan Municipal Liability and Property Pool, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Michigan Municipal Liability and Property Pool. Due to this reinsurance purchase, there is no pooling of risk between members.

The Michigan Municipal Liability and Property Pool chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverages 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

The individual members are responsible for their self-retention amounts (deductibles) that vary from member to member. The Village also provides employee benefits through the Michigan Municipal League with programs underwritten by commercial insurance carriers.

At February 28, 2023, there were no claims, which exceeded insurance coverage. The Village had no significant reduction in insurance coverage from previous years.

DEFINED BENEFIT PENSION PLAN

Plan Description

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer 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.

VILLAGE OF LAKE ODESSA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2023

DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided

Benefits provided include plans with a multiplier of 2.50% (80% max).

Vesting period is 6 years.

Normal retirement age is 60 with unreduced early retirement benefits at 55 with 15 years of service and reduced retirement benefits at 50 with 25 years of service.

Final average compensation is calculated based on 3 years.

Employee contributions are 10% of covered wages.

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employee entitled to but not yet receiving benefits	1
Active employees	<u>1</u>
Total	<u>3</u>

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions for the fiscal year were \$12,979.

Employee contributions for the fiscal year were \$7,310.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

VILLAGE OF LAKE ODESSA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2023

DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions

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

Inflation: 2.5%

Salary increases: 3.00% in the long-term

Investment rate of return: 7.00%, net investment expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with the price inflation of 2.5%.

Mortality rates used were based on the weighted sex district rates found in Pub – 2010.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2022.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	60.00%	2.70%
Global Fixed Income	20.00%	0.40%
Private Investments	20.00%	1.40%

Discount Rate

The discount rate used to measure the total pension liability is 7.25% for 2022. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates of 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.

VILLAGE OF LAKE ODESSA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2023

DEFINED BENEFIT PENSION PLAN (Continued)

Changes in Net Pension Liability

	Calculating the Net Pension Liability Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability
Balance at 12/31/21	\$ 555,245	\$ 530,474	\$ 24,771
Changes for the Year			
Service Cost	13,918	-	13,918
Interest on Total Pension Liability	39,582	-	39,582
Changes in Benefits	-	-	-
Difference Between Expected and Actual Experience	2,123	-	2,123
Changes in Assumptions	-	-	-
Employer Contributions	-	12,979	(12,979)
Employee Contributions	-	7,310	(7,310)
Net Investment Income	-	(54,944)	54,944
Benefit Payments Including Employee Refunds	(32,500)	(32,500)	-
Administrative Expense	-	(973)	973
Other Changes	-	-	-
Net Changes	23,123	(68,128)	91,251
Balances as of 12/31/22	\$ 578,368	\$ 462,346	\$ 116,022

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% point lower (6.25%) or 1% higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability at 12/31/22	\$ 116,022	\$ 116,022	\$ 116,022
Change in Net Pension Liability	69,226	-	(57,593)
Calculated Net Pension Liability	\$ 185,248	\$ 116,022	\$ 58,429

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

VILLAGE OF LAKE ODESSA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2023

DEFINED BENEFIT PENSION PLAN (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended February 28, 2023, the employer recognized expense of \$22,457. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in Experience	\$ -	\$ (20,788)
Differences in Assumptions	26,881	-
Excess (Deficit) Investment Returns	<u>40,748</u>	<u>-</u>
	67,629	(20,788)
Contributions Subsequent to the Measurement Date	<u>3,154</u>	<u>-</u>
Total	<u>\$ 70,783</u>	<u>\$ (20,788)</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for year ending February 28, 2023.

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

Year ended	
2024	\$ 5,410
2025	\$ 10,078
2026	\$ 14,705
2027	\$ 16,648
Thereafter	\$ -

DEFERRED COMPENSATION PENSION PLAN

The Village has a 401(k) deferred compensation pension plan which is available to all of its qualifying employees. A qualifying employee has attained the age of 21, works at least 1,000 hours per year and has at least one year of employment with the Village. The plan permits them to defer a portion of their current salary until termination, retirement, death, or unforeseeable emergency. Employees may contribute any amount of their compensation (in whole percent increments) to the plan. The Village contributes an amount equal to an employee's contribution between 1-10%. The plan is subject to IRS rules. The total Village contributions for the year ended February 28, 2023 were \$40,665 and employee contributions were \$41,081. Monies are invested in individual annuities in the names of the individuals and held in trust for employees. Employee's rights created under the plan are equivalent to those of general creditors of the Village and only in an amount equal to their fair market value on the deferred account maintained with respect to each employee.

In the past, the plan assets have been used for no purpose other than to pay benefits and administrative costs. In addition, the Village believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

VILLAGE OF LAKE ODESSA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2023

ACCOUNTING PRONOUNCEMENTS

GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objectives of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The standard will be in effect for 2024. The Village does not believe that this standard will have any impact on its financial statements.

GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The standard will be in effect for 2024. The Village does not believe that this standard will have any impact on its financial statements.

GASB issued Statement No. 100, *Accounting Changes and Error Corrections- an Amendment of GASB Statement No. 62*. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The standard will be in effect for 2025. The Village is currently evaluating this standard and the impact on its financial statements.

GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The standard will be in effect for 2025. The Village is currently evaluating this standard and the impact on its financial statements.

VILLAGE OF LAKE ODESSA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended February 28, 2023

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 1,005,060	\$ 1,005,060	\$ 1,005,060	\$ -
Resources (Inflows)				
Taxes and Penalties	517,900	517,900	514,928	(2,972)
Licenses and Permits	6,250	6,250	5,993	(257)
State Grants	470,692	330,692	375,704	45,012
Contributions from Local Units	60,000	-	-	-
Fines and Forfeitures	2,550	2,550	2,436	(114)
Interest and Rentals	3,005	3,005	9,691	6,686
Charges for Services	17,400	17,400	40,488	23,088
Other Revenue	<u>24,575</u>	<u>24,575</u>	<u>32,742</u>	<u>8,167</u>
Total Resources	<u>1,102,372</u>	<u>902,372</u>	<u>981,982</u>	<u>79,610</u>
Charges to Appropriations (Outflows)				
Legislative				
Governing Body	92,438	101,766	79,370	22,396
General Government				
Manager	50,049	55,305	56,416	(1,111)
Buildings and Grounds	32,600	14,238	14,030	208
Professional	11,750	10,358	10,358	-
Public Safety				
Police	363,259	323,455	273,621	49,834
Public Works				
Street Lighting	34,000	31,000	28,674	2,326
Garage and Maintenance	202,233	184,988	151,826	33,162
Community and Economic Development				
Planning and Zoning	8,000	8,000	7,829	171
Redevelopment and Housing	2,000	2,000	2,000	-
Recreation and Culture				
Parks	39,120	19,565	16,197	3,368
Arts Commission	22,860	22,860	14,285	8,575
Other	3,270	3,270	-	3,270
Debt Service				
Principal	-	-	6,050	(6,050)
Capital Outlay	<u>247,000</u>	<u>131,774</u>	<u>112,499</u>	<u>19,275</u>
Total Charges to Appropriations	<u>1,108,579</u>	<u>908,579</u>	<u>773,155</u>	<u>135,424</u>

VILLAGE OF LAKE ODESSA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)
For the Year Ended February 28, 2023

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Excess of Resources Over (Under) Appropriations	<u>(6,207)</u>	<u>(6,207)</u>	<u>208,827</u>	<u>215,034</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Asset:	<u>-</u>	<u>-</u>	<u>2,304</u>	<u>(2,304)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>2,304</u>	<u>(2,304)</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>(6,207)</u>	<u>(6,207)</u>	<u>211,131</u>	<u>217,338</u>
Budgetary Fund Balance - February 28, 2023	<u>\$ 998,853</u>	<u>\$ 998,853</u>	<u>\$ 1,216,191</u>	<u>\$ 217,338</u>

VILLAGE OF LAKE ODESSA
BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND
For the Year Ended February 28, 2023

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 389,808	\$ 389,808	\$ 389,808	\$ -
Resources (Inflows)				
State Grants	207,000	207,000	208,174	1,174
Interest and Rentals	2,000	2,000	3,164	1,164
Other Revenue	<u>-</u>	<u>-</u>	<u>14</u>	<u>14</u>
Total Resources	<u>209,000</u>	<u>209,000</u>	<u>211,352</u>	<u>2,352</u>
Charges to Appropriations (Outflows)				
Public Works				
Street Administration	10,043	10,043	5,744	4,299
Street Routine Maintenance	131,500	101,500	104,542	(3,042)
Street Winter Maintenance	<u>9,606</u>	<u>9,606</u>	<u>6,697</u>	<u>2,909</u>
Total Charges to Appropriations	<u>151,149</u>	<u>121,149</u>	<u>116,983</u>	<u>4,166</u>
Excess of Resources Over (Under) Appropriations	<u>57,851</u>	<u>87,851</u>	<u>94,369</u>	<u>6,518</u>
Other Financing Sources (Uses)				
Operating Transfers (Out)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(27,589)</u>	<u>2,411</u>
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(27,589)</u>	<u>2,411</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>27,851</u>	<u>57,851</u>	<u>66,780</u>	<u>8,929</u>
Budgetary Fund Balance - February 28, 2023	<u>\$ 417,659</u>	<u>\$ 447,659</u>	<u>\$ 456,588</u>	<u>\$ 8,929</u>

VILLAGE OF LAKE ODESSA
BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND
For the Year Ended February 28, 2023

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 286,561	\$ 286,561	\$ 286,561	\$ -
Resources (Inflows)				
State Grants	72,000	72,000	72,994	994
Interest and Rentals	1,100	1,100	631	(469)
Other	<u>30,000</u>	<u>40,160</u>	<u>40,170</u>	<u>10</u>
Total Resources	<u>103,100</u>	<u>113,260</u>	<u>113,795</u>	<u>535</u>
Charges to Appropriations (Outflows)				
Public Works				
Street Administration	10,236	11,063	1,782	9,281
Street Routine Maintenance	168,550	177,883	183,347	(5,464)
Street Winter Maintenance	<u>9,606</u>	<u>9,606</u>	<u>4,938</u>	<u>4,668</u>
Total Charges to Appropriations	<u>188,392</u>	<u>198,552</u>	<u>190,067</u>	<u>8,485</u>
Excess of Resources Over (Under) Appropriations	<u>(85,292)</u>	<u>(85,292)</u>	<u>(76,272)</u>	<u>9,020</u>
Other Financing Sources (Uses)				
Operating Transfers In	<u>30,000</u>	<u>30,000</u>	<u>27,589</u>	<u>(2,411)</u>
Total Other Financing Sources (Uses)	<u>30,000</u>	<u>30,000</u>	<u>27,589</u>	<u>(2,411)</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>(55,292)</u>	<u>(55,292)</u>	<u>(48,683)</u>	<u>6,609</u>
Budgetary Fund Balance - February 28, 2023	<u>\$ 231,269</u>	<u>\$ 231,269</u>	<u>\$ 237,878</u>	<u>\$ 6,609</u>

VILLAGE OF LAKE ODESSA
BUDGETARY COMPARISON SCHEDULE - ROAD FUND
For the Year Ended February 28, 2023

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 340,991	\$ 340,991	\$ 340,991	\$ -
Resources (Inflows)				
Taxes and Penalties	226,000	226,000	227,012	1,012
State Grants	22,000	22,000	23,252	1,252
Interest and Rentals	2,200	2,200	3,617	1,417
Other	<u>-</u>	<u>-</u>	<u>10</u>	<u>10</u>
Total Resources	<u>250,200</u>	<u>250,200</u>	<u>253,891</u>	<u>3,691</u>
Charges to Appropriations (Outflows)				
Public Works				
Street Administration	41,713	43,552	39,577	3,975
Sidewalk Replacement	45,000	43,161	18,676	24,485
Debt Service				
Principal	111,900	111,900	111,900	-
Interest	<u>13,957</u>	<u>13,957</u>	<u>13,296</u>	<u>661</u>
Total Charges to Appropriations	<u>212,570</u>	<u>212,570</u>	<u>183,449</u>	<u>29,121</u>
Excess of Resources Over (Under) Appropriations	<u>37,630</u>	<u>37,630</u>	<u>70,442</u>	<u>32,812</u>
Budgetary Fund Balance - February 28, 2023	<u>\$ 378,621</u>	<u>\$ 378,621</u>	<u>\$ 411,433</u>	<u>\$ 32,812</u>

VILLAGE OF LAKE ODESSA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Amounts determined as of February 28 of each fiscal year

	2022	2021	2020	2019	2018	2017
Actuarial Determined Contributions* Contributions in Relation to the Actuarially Determined Contribution	\$ 12,979	\$ 9,963	\$ 12,789	\$ 13,412	\$ 11,309	\$ 15,554
Contribution Deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 73,101	\$ 70,789	\$ 65,855	\$ 133,761	\$ 131,868	\$ 129,772
Contributions as a Percentage of Covered Employee Payroll	18%	14%	19%	10%	9%	12%

Notes to Schedule

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, open
Remaining Amortization Period	25 years
Asset Valuation Method	5 year smoothed
Inflation	2.5%
Salary Increases	3.00%
Investment Rate of Return	7.00%
Retirement Age	Varies depending on plan adoption
Mortality	Weighted sex district rates in Pub 2010

Note: GASB 68 was implemented in fiscal year 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

VILLAGE OF LAKE ODESSA
SCHEDULE OF CHANGES IN EMPLOYER NET
PENSION LIABILITY AND RELATED RATIOS
Amounts determined as of December 31 of each fiscal year

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Pension Liability				
Service Cost	\$ 13,918	\$ 12,431	\$ 11,169	\$ 22,512
Interest	39,582	36,967	38,632	35,428
Changes of Benefit Terms	-	-	-	-
Difference Between Expected and Actual Experience	2,123	(3,542)	(29,331)	2,497
Changes of Assumptions	-	20,169	12,818	17,391
Benefit Payments Including Employee Refunds	(32,500)	(32,467)	(32,232)	(31,493)
Other	-	1,784	-	1,865
Net Change in Total Pension Liability	<u>23,123</u>	<u>35,342</u>	<u>1,056</u>	<u>48,200</u>
Total Pension Liability beginning	<u>555,245</u>	<u>519,903</u>	<u>518,847</u>	<u>470,647</u>
Total Pension Liability ending	<u>\$ 578,368</u>	<u>\$ 555,245</u>	<u>\$ 519,903</u>	<u>\$ 518,847</u>
Plan Fiduciary Net Position				
Contributions-Employer	12,979	9,963	12,789	13,412
Contributions-Employee	7,310	7,079	12,159	13,085
Net Investment Income	(54,944)	67,004	55,664	52,326
Benefit Payments Including Employee Refunds	(32,500)	(32,467)	(32,232)	(31,493)
Administrative Expense	(973)	(767)	(873)	(902)
Other	-	-	-	-
Net Change in Plan Fiduciary Net Position	<u>(68,128)</u>	<u>50,812</u>	<u>47,507</u>	<u>46,428</u>
Plan Fiduciary Net Position beginning	<u>530,474</u>	<u>479,662</u>	<u>432,155</u>	<u>385,727</u>
Plan Fiduciary Net Position ending	<u>462,346</u>	<u>530,474</u>	<u>479,662</u>	<u>432,155</u>
Employer Net Pension Liability (Asset)	<u>\$ 116,022</u>	<u>\$ 24,771</u>	<u>\$ 40,241</u>	<u>\$ 86,692</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	80%	96%	92%	83%
Covered Employee Payroll	73,101	70,789	65,855	133,761
Employer's Net Pension Liability as a percentage of covered employee payroll	159%	35%	61%	65%

Notes to schedule:

Benefit changes (if any) can be found in the actuarial valuation section titled: "Benefit Provision History"

Changes in assumptions: There were not changes in actuarial assumptions or methods affecting the 2020 valuation

(This information can be found in the actuarial valuation section titled: "Plan Provisions, Actuarial Assumptions and Actuarial Funding Method; and also in the Appendix link of the actuarial valuation).

VILLAGE OF LAKE ODESSA
SCHEDULE OF FUNDING PROGRESS FOR THE EMPLOYEE RETIREMENT SYSTEM
Amounts determined as of December 31 for each fiscal year

Fiscal Year Ended December 31	Total Pension Liability	Plan Net Position	Net Pension Liability (Asset)	Plan Net Position as Percentage of Total Pension Liability (Asset)	Covered Payroll	Net Pension Liability as Percentage of Covered Payroll
2015	\$ 284,120	\$ 278,553	\$ 5,567	98%	\$ 90,787	6%
2016	325,128	334,655	(9,527)	103%	157,782	-6%
2017	441,984	408,230	33,754	92%	129,772	26%
2018	470,647	385,727	84,920	82%	131,868	64%
2019	518,847	432,155	86,692	83%	133,761	65%
2020	519,903	479,662	40,241	92%	65,855	61%
2021	555,245	530,474	24,771	96%	70,789	35%
2022	578,368	462,346	116,022	80%	73,101	159%

Note: GASB 68 was implemented in fiscal year 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

VILLAGE OF LAKE ODESSA
BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY
February 28, 2023

ASSETS	
Cash and Cash Equivalents	\$ 80,476
Due From Other Units of Government	<u>16,984</u>
Total Assets	<u>97,460</u>
LIABILITIES	
Accounts Payable	<u>110</u>
Total Liabilities	<u>110</u>
FUND BALANCE	
Restricted	<u>97,350</u>
Total Fund Balance	97,350
Reconciliation of the Downtown Development Authority Balance Sheet to the Statement of Net Position:	
Long-Term liabilities are not due and payable in the current period and are not reported in the funds	
Notes Payable	<u>-</u>
Net Position of Downtown Development Authority	<u>\$ 97,350</u>

**VILLAGE OF LAKE ODESSA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - DOWNTOWN DEVELOPMENT AUTHORITY
For the Year Ended February 28, 2023**

Revenues	
Taxes and Penalties	\$ 39,828
Interest and Rentals	93
Other Income	<u>860</u>
Total Revenues	<u>40,781</u>
Expenditures	
Advertising	750
Contracted Services	868
Dues and Subscriptions	25
Miscellaneous	230
Supplies	<u>4,688</u>
Total Expenditures	<u>6,561</u>
Excess of Revenues Over (Under) Expenditures	34,220
Fund Balance-March 1, 2022	<u>63,130</u>
Fund Balance-February 28, 2023	<u>\$ 97,350</u>
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of the Downtown Development Authority to the Statement of Activities:	
Net Change in Fund Balance - Downtown Development Authority	\$ 34,220
Repayment of notes payable is an expenditure in the governmental funds, but not in the statement of activities (where it reduces debt)	<u>-</u>
Change in Net Position of Downtown Development Authority	<u>\$ 34,220</u>



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

To the Village Council
Village of Lake Odessa, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Village of Lake Odessa, Michigan, as of and for the year ended February 28, 2023, and the related notes to the financial statements, which collectively comprise the Village of Lake Odessa, Michigan's basic financial statements, and have issued our report thereon dated July 31, 2023.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control that we consider to be material weaknesses.

2023-001 Preparation of Financial Statements

The Village is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP), including procedures to record revenue and expenditure accruals, changes in capital assets, and to present required financial statement disclosures. This is a recurring comment.

Currently, the Village contracts with Walker, Fluke & Sheldon, PLC to prepare the financial statements and assist with accrual entries, because the additional benefits derived from implementing a system, would not outweigh the costs incurred.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Lake Odessa, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Village of Lake Odessa, Michigan's Response to Findings

Village of Lake Odessa, Michigan's response to the findings identified in our audit is described previously. Village of Lake Odessa, Michigan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Hastings, Michigan
July 31, 2023