

VILLAGE OF LAKE ODESSA
FINANCIAL STATEMENTS
For the year ended February 28, 2022

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INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Lake Odessa
Lake Odessa, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Village of Lake Odessa, Lake Odessa, Michigan, as of and for the year ended February 28, 2022, and the related notes to the financial statements, which collectively comprise Village of Lake Odessa'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 and each major of Village of Lake Odessa, as of February 28, 2022, and the respective changes in financial position 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. 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, 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 these 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 Village of Lake Odessa, 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 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, 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 Village of Lake Odessa, 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 Village of Lake Odessa, 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 statement 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.

Other 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 individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The balance sheet - Downtown Development Authority and statement of revenues, expenditures and changes in fund balance - Downtown Development Authority are 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the balance sheet - Downtown Development Authority and statement of revenues, expenditures and changes in fund balance - Downtown Development Authority is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2022, 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 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'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 Village of Lake Odessa, Michigan's internal control over financial reporting and compliance.

Walton, Flake & Sheldon PC

Hastings, Michigan
July 29, 2022

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, 2022. 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 8.

Financial Highlights

- The assets of Village of Lake Odessa exceeded its liabilities at the close of the most recent fiscal year by \$12,034,277 (net position) compared to \$11,346,282 last year. Of this amount, \$2,089,664 (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 \$687,995 compared to an increase of \$312,188 last year.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$2,022,420 a decrease of \$327,150 compared to an ending fund balance of \$2,349,570 an increase of \$399,673 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$916,726 or 108.87% of total general fund expenditures. Last year the unassigned fund balance for the general fund was \$790,316 or 101.57% 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 9-10 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 11-14 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 15-17 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 18 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 19-36 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 37-44 of this report. Additional supplementary information on the Downtown Development Authority is presented immediately following the required supplementary information on budgets on pages 45-46 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 \$12,034,277 at the close of the most recent fiscal year.

\$2,089,664 of the Village's net position (17.36 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 (11.28 percent) reflects restricted net position \$1,357,826, which are resources that are subject to external restrictions on how they may be used. The remaining portion of the Village's net position (71.36 percent) reflects its investment in capital assets \$8,586,787 (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

	Governmental		Business-Type	
	2022	2021	2022	2021
Current and Other Assets	\$ 2,203,583	\$ 2,427,655	\$ 1,326,645	\$ 1,499,009
Capital Assets	3,859,482	3,241,409	8,928,964	8,744,733
Total Assets	6,063,065	5,669,064	10,255,609	10,243,742
Deferred Outflows of Resources	78,249	43,153	-	-
Short-Term Liabilities	204,653	189,985	125,344	20,928
Long-Term Liabilities	638,650	762,904	3,339,009	3,561,209
Total Liabilities	843,303	952,889	3,464,353	3,582,137
Deferred Inflows of Resources	54,990	74,651	-	-
Net Position				
Invested in Capital Assets, Net of Related Debt	3,108,932	2,386,312	5,477,855	5,183,524
Restricted	1,040,816	1,497,607	317,010	307,709
Unrestricted	1,093,273	800,758	996,391	1,170,372
Total Net Position	\$ 5,243,021	\$ 4,684,677	\$ 6,791,256	\$ 6,661,605
Program Revenues				
Charges for Services	\$ 40,300	\$ 42,093	\$ 967,152	\$ 906,374
Operating Grants and Contributions	292,557	254,047	-	-
Capital Grants and Contributions	34,952	-	-	-
General Revenues				
Property Taxes	717,240	705,914	-	-
Federal Grants	107,192	12,115	-	-
State Grants	359,590	343,312	-	-
Investment Income	8,517	14,826	4,482	4,762
Other	74,872	72,957	-	-
Loss on Disposal of Fixed Assets	(1,735)	(25,899)	-	(231)
Total Revenues	1,633,485	1,419,365	971,634	910,905
Program Expenses				
Governmental Activities				
Legislative	59,375	72,891	-	-
General Government	9,727	27,658	-	-
Public Safety	339,514	338,234	-	-
Public Works	584,447	594,286	-	-
Community and Economic Development	9,384	8,958	-	-
Recreation and Culture	57,206	47,279	-	-
Interest and Fiscal Charges	15,488	17,652	-	-
Business-Type Activities				
Water	-	-	764,218	831,014
Interest and Fiscal Charges	-	-	77,765	80,110
Total Expenses	1,075,141	1,106,958	841,983	911,124
Change in Net Position	\$ 558,344	\$ 312,407	\$ 129,651	\$ (219)

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 \$558,344 mainly due to increases in several revenue categories.

Business-Type activities. Business-type activities increased the Village's net position by \$129,651 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 \$2,022,420 a decrease of \$327,150. Last year, the Village's governmental funds combined ending fund balance was \$2,349,570 an increase of \$399,673.

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 \$916,726 and the total fund balance was \$1,005,060. Unassigned fund balance represents 108.87% of the total general fund expenditures.

The fund balance of the Village's general fund increased by \$127,517 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 \$996,391. The water fund had an increase in net position of \$129,651.

General Fund Budgetary Highlights

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

- \$929,838 decrease to State Grants
- \$300,000 decrease to Contributions from Local Units
- \$13,204 decrease to Legislative
- \$10,909 decrease to Buildings and Grounds
- \$16,181 decrease to Garage and Maintenance
- \$5,763 increase to Parks
- \$1,202,963 decrease to Capital Outlay

Capital Assets

The Village's investment in capital assets for its governmental activities as of February 28, 2022, amounts to \$3,859,482 (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 purchase of garage doors, and an extension to the DPW Building. The water fund purchased part of one of the trailer with the general fund, and some other small equipment. 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 \$4,194,309, and general obligation debt of \$26,132. 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		Business-Type		Total	
	Activities		Activities			
	2022	2021	2022	2021	2022	2021
Primary Government:						
Revenue Bonds	\$ 743,200	\$ 855,100	\$ 3,451,109	\$ 3,561,209	\$ 4,194,309	\$ 4,416,309
Notes Payable	7,350	-	-	-	7,350	-
Compensated Absences	18,782	19,704	-	-	18,782	19,704
Total	\$ 769,332	\$ 874,804	\$ 3,451,109	\$ 3,561,209	\$ 4,220,441	\$ 4,436,013

The Village's debt decreased by \$215,572 during the current fiscal year.

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

Economic Factors and Next Year's Budgets and Rates

Due to the worldwide COVID-19 pandemic, and the recovery phase that we currently find ourselves, both revenues and expenses have become harder to estimate. Supply chain issues for materials have made receiving accurate quotes for services and equipment tougher to determine. Prices seem to be fluctuating by the day. Inflation is rising. Wages in the service sector are rising faster and higher than have ever been witnessed. We now occupy a very different world than we did just three years ago.

With that said, Village staff is anticipating a 2.3% decrease in revenue sharing from the State of Michigan for 2023. With prices for goods, materials, and services rising, this is an alarming trend. Village staff must remain vigilant when procuring materials and services in order to use the funds we are entrusted with in the wisest and most prudent manner.

The Village has been awarded a \$936,493 Transportation Alternative Program (TAP) Grant from Michigan Department of Transportation (MDOT) for construction of the Jordan Lake Trail Phase 1B. This is a pedestrian, biking, inline skating trail which will also include cross country skiing and snow shoeing in the winter. This project has faced some setbacks, but the volunteers and municipalities involved from the beginning remain undeterred in their quest to see this project through to completion.

In 2021, the Village reached an agreement with the Police Officers Labor Council, who represent the Village's police officers. This agreement, approved by the Village Council in February 2021, approves wage increases for members at annual rate of 2.5%, along with years of service to the Village factored into the equation. This agreement expires on February 29, 2024.

In February of 2022, the Village Council approved an increase to the base meter charge for water billing, which will allow the Village to continue to meet the goals as set forth in the Village's 2016 Asset Management Plan. This increase was deemed necessary by the findings of a Council-sanctioned Water Rate Study, performed by a group consisting of select Village Council members, staff, and GEI Consultants, Inc. This study recommended that base meter rates be adjusted by 25% (spread out quarterly) for the next three years – after the three-year phase in at this rate, the study recommended that this rate be adjusted annually by the rate of inflation. These increases will allow the Village to continually provide excellent, clean, and healthy drinking water to residents and businesses.

With regard to the Major and Local Street Fund funds, we should expect to see both funds remain relatively flat in each of these balances at the end of the 2022-2023 FY – this is due to the Village having a paving project on Fourth Avenue, McArthur Street, Emerald Circle, and Morningside Court in FY 2022-2023. However, at this time – with the rising costs of materials and services – Village staff is searching for funding sources to perform a large scale project on the north end of the Village. While this project was originally scheduled for FY 2022-2023, rising costs will almost undoubtedly push this project out to FY 2023-2024.

The Village's Police Department continues to provide excellent service to the community, even with the loss of two road patrol officers in FY 2022-2023. The Police Department has also witnessed a steady rise of complaints throughout the past year. Adequate staffing levels for the Police Department will need to be closely analyzed to determine the correct number of officers relative to the population of the community and the number of calls for service received. However, it should be noted, that the need for qualified, well-trained officers exceeds the amount of qualified, well-trained individuals available throughout the United

States. In short, every community is having very serious issues attracting talent within their respective Police Departments.

The Village Council approved a Classification and Compensation Study to be performed by the Michigan Municipal League in 2022-2023. Under previous management, pay increases were performed in a limited fact-based environment. The results of this study will provide a reasonable baseline of wages, relative to comparable-sized Michigan communities, which will allow Village Management and the Village Council to make decisions based on data and performance moving forward. As we have all seen by now, wages are growing exponentially – for example, McDonald's is offering starting pay between \$16-20 per hour in some locations. Attracting talented employees is becoming more difficult by the day in all communities across the state. Village management believes that the results of this study, as well as the considered and pragmatic action of the Village Council, will help us to continue to attract and retain talented individuals – employees that will help us continue to provide the excellent service that we are known for.

Village staff will also continue to identify any and all state or federal grant opportunities that have the potential to maximize Village funds in the continual pursuit of providing high quality, reliable, and safe services to the community, with a watchful eye on the present and the future of Lake Odessa. Furthermore, the Village does not anticipate the raising of any current millage tax levies in the coming fiscal year.

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, 2022

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
Cash and Cash Equivalents	\$ 1,734,472	\$ 1,067,615	\$ 2,802,087	\$ 47,566
Investments	350,161	128,774	478,935	-
Receivables (Net)				
Accounts	-	130,256	130,256	-
Due from State	88,745	-	88,745	-
Due from other Funds	30,205	-	30,205	-
Due from other Units of Government	-	-	-	15,564
Capital Assets not being Depreciated	-	2,150	2,150	-
Capital Assets being Depreciated, Net	3,859,482	8,926,814	12,786,296	-
Total Assets	6,063,065	10,255,609	16,318,674	63,130
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Outflows	78,249	-	78,249	-
LIABILITIES				
Accounts Payable	40,295	5,237	45,532	-
Accrued Liabilities	4,403	8,007	12,410	-
Due to other Funds	29,273	-	29,273	-
Noncurrent Liabilities				
Due Within One Year	133,182	112,100	245,282	-
Due in more than One Year	636,150	3,339,009	3,975,159	-
Total Liabilities	843,303	3,464,353	4,307,656	-
DEFERRED INFLOWS OF RESOURCES				
Net Pension Liability	24,771	-	24,771	-
Deferred Pension Inflows	30,219	-	30,219	-
Total Deferred Inflows of Resources	54,990	-	54,990	-
NET POSITION				
Net Position				
Invested in Capital Assets, Net of Related Debt	3,108,932	5,477,855	8,586,787	-
Restricted for Roads	1,017,360	-	1,017,360	-
Restricted for Community Activities	23,456	-	23,456	63,130
Restricted for Debt	-	97,706	97,706	-
Restricted for Improvements	-	219,304	219,304	-
Unrestricted	1,093,273	996,391	2,089,664	-
Total Net Position	\$ 5,243,021	\$ 6,791,256	\$ 12,034,277	\$ 63,130

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, 2022

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	\$ 59,375	\$ -	\$ -	\$ -	\$ (59,375)	\$ -	\$ (59,375)	
General Government	9,727	36,302	-	34,952	61,527	-	61,527	
Public Safety	339,514	3,998	-	-	(335,516)	-	(335,516)	
Public Works	584,447	-	283,157	-	(301,290)	-	(301,290)	
Community and Economic Development	9,384	-	-	-	(9,384)	-	(9,384)	
Recreation and Culture	57,206	-	9,400	-	(47,806)	-	(47,806)	
Interest and Fiscal Charges	15,488	-	-	-	(15,488)	-	(15,488)	
Total Governmental Activities	<u>1,075,141</u>	<u>40,300</u>	<u>292,557</u>	<u>34,952</u>	<u>(707,332)</u>	<u>-</u>	<u>(707,332)</u>	
Business-Type Activities								
Water	764,218	967,152	-	-	-	202,934	202,934	
Interest and Fiscal Charges	77,765	-	-	-	-	(77,765)	(77,765)	
Total Business-Type Activities	<u>841,983</u>	<u>967,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,169</u>	<u>125,169</u>	
Total Primary Government	<u>\$ 1,917,124</u>	<u>\$ 1,007,452</u>	<u>\$ 292,557</u>	<u>\$ 34,952</u>	<u>(707,332)</u>	<u>125,169</u>	<u>(582,163)</u>	
Component Unit								
Downtown Development Authority	\$ 41,882	\$ -	\$ -	\$ -				(41,882)
Total Component Unit	<u>\$ 41,882</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(41,882)</u>
General Revenues								
Taxes and Penalties					717,240	-	717,240	36,647
Federal Grants					107,192	-	107,192	-
State Grants					359,590	-	359,590	-
Investment Income					8,517	4,482	12,999	64
Other					74,872	-	74,872	1,200
Total General Revenue					<u>1,267,411</u>	<u>4,482</u>	<u>1,271,893</u>	<u>37,911</u>
Gain (Loss) on Disposal of Capital Assets					(1,735)	-	(1,735)	-
Change in Net Position					558,344	129,651	687,995	(3,971)
Net Position-Beginning					<u>4,884,677</u>	<u>6,661,605</u>	<u>11,346,282</u>	<u>67,101</u>
Net Position-Ending					<u>\$ 5,243,021</u>	<u>\$ 6,791,256</u>	<u>\$ 12,034,277</u>	<u>\$ 63,130</u>

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

**VILLAGE OF LAKE ODESSA
GOVERNMENTAL FUNDS BALANCE SHEET
February 28, 2022**

ASSETS	General	Major Streets	Local Streets	Road Fund	Total Governmental Funds
Cash and Cash Equivalents	\$ 970,048	\$ 264,728	\$ 288,717	\$ 210,979	\$ 1,734,472
Investments	107,205	108,601	-	134,355	350,161
Due from State	40,824	35,481	12,440	-	88,745
Due from Other Funds	29,130	-	1,075	-	30,205
Total Assets	\$ 1,147,207	\$ 408,810	\$ 302,232	\$ 345,334	\$ 2,203,583
LIABILITIES					
Accounts Payable	\$ 34,895	\$ 2,700	\$ 2,700	\$ -	\$ 40,295
Accrued Liabilities	60	-	-	4,343	4,403
Due to Other Funds	-	16,302	12,971	-	29,273
Total Liabilities	34,955	19,002	15,671	4,343	73,971
DEFERRED INFLOWS					
ARPA	107,192	-	-	-	107,192
Total Deferred Inflows	107,192	-	-	-	107,192
FUND BALANCE					
Restricted	23,456	389,808	286,561	340,991	1,040,816
Committed	64,878	-	-	-	64,878
Unassigned	916,726	-	-	-	916,726
Total Fund Balances	1,005,060	389,808	286,561	340,991	2,022,420
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,147,207	\$ 408,810	\$ 302,232	\$ 345,334	\$ 2,203,583

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, 2022**

Governmental Fund Balance - February 28, 2022		\$ 2,022,420
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Governmental capital assets	\$7,969,406	
Less: accumulated depreciation	<u>(4,109,924)</u>	3,859,482
Long-term liabilities are not due and payable in the current period and are not reported in the funds:		
Bonds payable	(743,200)	
Notes payable	(7,350)	
Accumulated vacation and sick leave	(18,782)	
Net pension liability	<u>(24,771)</u>	(794,103)
Deferred inflows reported in governmental funds are recognized as revenues in the governmental activities:		
Pension		(30,219)
ARPA funds		107,192
Deferred outflows reported in governmental funds are recognized as expenditures in the governmental activities:		
Pension		<u>78,249</u>
Net Position of Governmental Activities		<u>\$ 5,243,021</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, 2022

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Road Fund</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes and Penalties	\$ 497,772	\$ -	\$ -	\$ 219,468	\$ 717,240
Licenses and Permits	7,825	-	-	-	7,825
State Grants	346,781	210,923	72,234	22,209	652,147
Contributions from Local Units	34,952	-	-	-	34,952
Fines and Forfeitures	3,998	-	-	-	3,998
Interest and Rentals	3,702	1,731	910	2,174	8,517
Charges for Services	28,477	-	-	-	28,477
Other Revenue	36,242	-	38,630	-	74,872
Total Revenues	<u>959,749</u>	<u>212,654</u>	<u>111,774</u>	<u>243,851</u>	<u>1,528,028</u>
Expenditures					
Current					
Legislative	59,375	-	-	-	59,375
General Government	58,238	-	-	-	58,238
Public Safety	324,255	-	-	-	324,255
Public Works	170,131	335,401	284,190	275,967	1,065,689
Community and Economic Development	9,384	-	-	-	9,384
Recreation and Culture	35,739	-	-	-	35,739
Debt Service					
Principal	2,450	-	-	111,900	114,350
Interest	-	-	-	15,488	15,488
Capital Outlay	182,460	-	-	-	182,460
Total Expenditures	<u>842,032</u>	<u>335,401</u>	<u>284,190</u>	<u>403,355</u>	<u>1,864,978</u>
Excess of Revenues Over (Under)					
Expenditures	<u>117,717</u>	<u>(122,747)</u>	<u>(172,416)</u>	<u>(159,504)</u>	<u>(336,950)</u>
Other Financing Sources (Uses)					
Proceeds from Notes	9,800	-	-	-	9,800
Operating Transfers In (Out)	-	(30,000)	30,000	-	-
Total Other Financing Sources (Uses)	<u>9,800</u>	<u>(30,000)</u>	<u>30,000</u>	<u>-</u>	<u>9,800</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	127,517	(152,747)	(142,416)	(159,504)	(327,150)
Fund Balance-March 1, 2021	<u>877,543</u>	<u>542,555</u>	<u>428,977</u>	<u>500,495</u>	<u>2,349,570</u>
Fund Balance-February 28, 2022	<u>\$ 1,005,060</u>	<u>\$ 389,808</u>	<u>\$ 286,561</u>	<u>\$ 340,991</u>	<u>\$ 2,022,420</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, 2022

Net Change in Fund Balances - Total Governmental Funds		\$ (327,150)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund		107,192
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		922
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)		114,350
Bond and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position		(9,800)
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	\$ 182,460	
Expenditures for infrastructure assets	777,014	
Less: Current year depreciation	(339,666)	
Less: Loss on sale of fixed assets	<u>(1,735)</u>	618,073
Government funds report pension expenditures. However, in the statement of activities, the costs of pension expenses are deferred for timing differences		39,287
Net (increase) decrease in pension liability		<u>15,470</u>
Change in Net Position of Governmental Activities		<u>\$ 558,344</u>

**VILLAGE OF LAKE ODESSA
 PROPRIETARY FUNDS STATEMENT OF NET POSITION
 February 28, 2022**

	Enterprise Fund Water System	Total
ASSETS		
Cash and Cash Equivalents	\$ 1,067,615	\$ 1,067,615
Investments	128,774	128,774
Receivables (Net)		
Accounts	130,256	130,256
Capital Assets not being Depreciated	2,150	2,150
Capital Assets being Depreciated, Net	8,926,814	8,926,814
Total Assets	\$ 10,255,609	\$ 10,255,609
LIABILITIES		
Accounts Payable	\$ 5,237	\$ 5,237
Accrued Liabilities	8,007	8,007
Bonds Payable	3,451,109	3,451,109
Total Liabilities	3,464,353	3,464,353
NET POSITION		
Investment in Capital Assets, Net of Related Debt	5,477,855	5,477,855
Restricted	317,010	317,010
Unrestricted	996,391	996,391
Total Net Position	6,791,256	6,791,256
Total Liabilities and Net Position	\$ 10,255,609	\$ 10,255,609

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, 2022

	Enterprise Fund Water System	Total
Operating Revenues		
Charges for Services	\$ 952,472	\$ 952,472
Other Operating Revenue	14,680	14,680
Total Operating Revenues	967,152	967,152
Operating Expenses		
Administration	51,282	51,282
Salaries and Fringe Benefits	235,846	235,846
Bank Fees	20	20
Supplies	8,115	8,115
Office Supplies	3,767	3,767
Contractual Services	15,291	15,291
Repairs and Maintenance	97,056	97,056
Gasoline	4,794	4,794
Depreciation	254,353	254,353
Dues and Memberships	12,283	12,283
Miscellaneous	303	303
Telephone	4,654	4,654
Utilities	54,760	54,760
Education and Training	2,455	2,455
Insurance and Bonds	17,468	17,468
Water Testing	1,771	1,771
Total Operating Expenses	764,218	764,218
Operating Income	202,934	202,934
Nonoperating Revenues (Expenses)		
Interest Earned on Investments	4,482	4,482
Interest Expense	(77,765)	(77,765)
Total Nonoperating Revenues (Expenses)	(73,283)	(73,283)
Change in Net Position	129,651	129,651
Net Position-March 1, 2021	6,661,605	6,661,605
Net Position-February 28, 2022	\$ 6,791,256	\$ 6,791,256

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, 2022

	Enterprise Fund Water System	Total
Cash Flows from Operating Activities:		
Cash Charges for Services	\$ 950,174	\$ 950,174
Other Operating Revenue	14,680	14,680
Administrative Costs	(51,282)	(51,282)
Cash Payments to Employees for Services	(221,407)	(221,407)
Cash Payments to Suppliers for Goods and Services	(230,948)	(230,948)
Net Cash Provided by Operating Activities	461,217	461,217
Cash Flows from Capital and Related Financing Activities:		
Payment of Principal	(110,100)	(110,100)
Payment of Interest	(78,144)	(78,144)
Net Cash used by Capital and Related Financing Activities	(188,244)	(188,244)
Cash Flows from Investing Activities:		
Interest Earned on Cash Equivalents and Investments	4,482	4,482
Purchase of Capital Assets	(438,582)	(438,582)
Net Cash Provided (Used) by Investing Activities	(434,100)	(434,100)
Net Increase in Cash and Cash Equivalents	(161,127)	(161,127)
Cash and Cash Equivalents at Beginning of the Year (Including \$307,709 in restricted accounts)	1,357,516	1,357,516
Cash and Cash Equivalents at End of the Year (Including \$317,010 in restricted accounts)	\$ 1,196,389	\$ 1,196,389
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ 202,934	\$ 202,934
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	254,353	254,353
Loss on Sale of Capital Assets	-	-
Decrease (Increase) in Receivables	(2,298)	(2,298)
Decrease (Increase) in Due From Other Funds	14,439	14,439
(Decrease) Increase in Accounts Payable	(8,211)	(8,211)
Net Cash Provided by Operating Activities	\$ 461,217	\$ 461,217

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

VILLAGE OF LAKE ODESSA
FIDUCIARY FUNDS STATEMENT OF NET POSITION
February 28, 2022

ASSETS	Trust and Agency
Current Assets	
Cash and Cash Equivalents	\$ 4,454
Total Assets	\$ 4,454
LIABILITIES	
Current Liabilities	
Due to Other Funds	\$ 932
Due to Other Units of Government	3,522
Total Liabilities	\$ 4,454

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, 2022**

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, 2022

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 2021 State taxable valuation of the Village totaled \$49,217,337 on which ad valorem taxes levied consisted of 10.2727 mills for Village operating purposes and 4.6038 mills for Village street operations, raising \$505,590 for operating and \$226,582 for street operations. The amounts recognized in the General Fund financial statements as current property tax revenue represent 2021 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, 2022**

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, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, 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, 2022

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, 2022**

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, 2022, 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			
Recreation and Culture			
Arts Commision	\$ 13,560	\$ 17,974	\$ 4,414
Debt Service			
Principal	\$ -	\$ 2,450	\$ 2,450
Capital Outlay	\$ 141,537	\$ 182,460	\$ 40,923
Major			
Street Winter Maintenance	\$ 13,850	\$ 17,558	\$ 3,708
Local			
Steet Winter Maintenance	\$ 13,250	\$ 15,771	\$ 2,521

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, 2022**

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	\$ 1,734,472	\$ 1,067,615	\$ 4,454	\$ 2,806,541	\$ 47,566
Investments	350,161	128,774	-	478,935	-
Restricted Assets	-	-	-	-	-
Total	<u>\$ 2,084,633</u>	<u>\$ 1,196,389</u>	<u>\$ 4,454</u>	<u>\$ 3,285,476</u>	<u>\$ 47,566</u>

The breakdown between deposits and investments is as follows:

Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 3,285,196	\$ 47,566
Investment in Securities (Mutual Funds and Similar Vehicles)	-	-
Petty Cash and Cash on Hand	<u>280</u>	<u>-</u>
Total	<u>\$ 3,285,476</u>	<u>\$ 47,566</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, 2022, the Village had deposits with a carrying amount of \$3,285,476 and a bank balance of \$3,794,121. Of the bank balance, \$966,434 is covered by federal depository insurance, \$3,162,888 is uninsured and \$0 is collateralized. The DDA has deposits with a carrying amount of \$47,566 and a bank balance of \$50,266. Of the bank balance, \$50,266 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, 2022

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 not being Depreciated/Amortized				
Construction in Progress	\$ 35,947	\$ -	\$ 35,947	\$ -
Subtotal	<u>35,947</u>	<u>-</u>	<u>35,947</u>	<u>-</u>
Capital Assets being Depreciated/Amortized				
Buildings	532,825	137,708	5,784	664,749
Land Improvements	390,527	34,952	-	425,479
Equipment	791,612	-	-	791,612
Data Processing Equipment	73,365	9,800	-	83,165
Infrastructure	<u>5,191,440</u>	<u>812,961</u>	<u>-</u>	<u>6,004,401</u>
Subtotal	<u>6,979,769</u>	<u>995,421</u>	<u>5,784</u>	<u>7,969,406</u>
Less Accumulated Depreciation/Amortization for				
Buildings	475,711	6,882	4,049	478,544
Land Improvements	138,430	20,130	-	158,560
Equipment	410,502	67,177	-	477,679
Data Processing Equipment	64,525	4,079	-	68,604
Infrastructure	<u>2,685,139</u>	<u>241,398</u>	<u>-</u>	<u>2,926,537</u>
Subtotal	<u>3,774,307</u>	<u>339,666</u>	<u>4,049</u>	<u>4,109,924</u>
Net Capital Assets being Depreciated/Amortized	<u>3,205,462</u>	<u>655,755</u>	<u>1,735</u>	<u>3,859,482</u>
Governmental Activities Total Capital Assets-Net of Depreciation/Amortization	<u>\$ 3,241,409</u>	<u>\$ 655,755</u>	<u>\$ 37,682</u>	<u>\$ 3,859,482</u>

VILLAGE OF LAKE ODESSA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2022

CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets not being Depreciated/Amortized				
Land	\$ 2,150	\$ -	\$ -	\$ 2,150
Construction in Progress	35,947	-	35,947	-
Subtotal	38,097	-	35,947	2,150
Capital Assets being Depreciated/Amortized				
Buildings and Water System	10,658,237	469,718	-	11,127,955
Land Improvements	1,737	-	-	1,737
Office Equipment	15,518	-	-	15,518
Equipment	477,109	4,813	30,000	451,922
Subtotal	11,152,601	474,531	30,000	11,597,132
Less Accumulated Depreciation/Amortization for				
Buildings and Water System	2,047,688	220,054	-	2,267,742
Land Improvements	1,187	87	-	1,274
Office Equipment	14,651	867	-	15,518
Equipment	382,439	33,345	30,000	385,784
Subtotal	2,445,965	254,353	30,000	2,670,318
Net Capital Assets being Depreciated/Amortized	8,706,636	220,178	-	8,926,814
Governmental Activities Total				
Capital Assets-Net of Depreciation/Amortization	\$ 8,744,733	\$ 220,178	\$ 35,947	\$ 8,928,964

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

Governmental Activities	
General Government	\$ 7,168
Public Safety	15,259
Public Works	295,772
Recreation and Culture	21,467
Total Governmental Activities	\$ 339,666
Business-Type Activities	
Water Fund	\$ 254,353
Total Business-Type Activities	\$ 254,353

**VILLAGE OF LAKE ODESSA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2022**

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	\$ 29,130	Major	\$ 16,302
Local	<u>1,075</u>	Local	12,971
		Payroll	<u>932</u>
	<u>\$ 30,205</u>		<u>\$ 30,205</u>
<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Local Streets	\$ <u>30,000</u>	Major Streets	\$ <u>30,000</u>
	<u>\$ 30,000</u>		<u>\$ 30,000</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, 2022

LONG-TERM DEBT (Continued)

The following is a summary of the outstanding debt of the Village as of February 28, 2022:

	<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	\$ 402,500	\$ (38,500)	\$ -	\$ 364,000	\$ 38,500
2016 Refunding Bond	1.800%	2026	452,600	(73,400)	-	379,200	73,400
Note Payable	0.000%	2025	-	(2,450)	9,800	7,350	2,500
Other Liabilities							
Compensated Absences			19,704	(922)	-	18,782	18,782
Total Governmental Activities			\$ 874,804	\$ (115,272)	\$ 9,800	\$ 769,332	\$ 133,182
Business-Type Activities							
Water Bonds							
2017 Refunding Bond	2.260%	2029	\$ 172,500	\$ (16,500)	\$ -	\$ 156,000	\$ 16,500
2016 Rural Development	2.250%	2055	3,206,309	(67,000)	-	3,139,309	69,000
2016 Refunding Bond	1.800%	2026	182,400	(26,600)	-	155,800	26,600
Total Business-Type Activities			\$ 3,561,209	\$ (110,100)	\$ -	\$ 3,451,109	\$ 112,100

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>
2023	\$ 114,400	\$ 13,956	\$ 112,100	\$ 76,538
2024	118,400	11,723	119,100	74,087
2025	120,350	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	\$ 750,550	\$ 52,076	\$ 3,451,109	\$ 1,309,665

VILLAGE OF LAKE ODESSA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2022

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, 2022, 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, 2022**

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, 2021 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 \$9,963.

Employee contributions for the fiscal year were \$7,079.

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2021, 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, 2022**

DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2021 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 2021.

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%	3.15%
Global Fixed Income	20.00%	0.25%
Private Investments	20.00%	1.45%

Discount Rate

The discount rate used to measure the total pension liability is 7.25% for 2021. 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, 2022

DEFINED BENEFIT PENSION PLAN (Continued)

Changes in Net Pension Liability

	Calculating the Net Pension Liability Increase (Decrease)		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Position Liability</u>
Balance at 12/31/20	\$ 519,903	\$ 479,662	\$ 40,241
Changes for the Year			
Service Cost	12,431	-	12,431
Interest on Total Pension Liability	36,967	-	36,967
Changes in Benefits	-	-	-
Difference Between Expected and Actual Experience	(3,542)	-	(3,542)
Changes in Assumptions	20,169		20,169
Employer Contributions	-	9,963	(9,963)
Employee Contributions	-	7,079	(7,079)
Net Investment Income	-	67,004	(67,004)
Benefit Payments Including Employee Refunds	(32,467)	(32,467)	-
Administrative Expense	-	(767)	767
Other Changes	1,784	-	1,784
Net Changes	<u>35,342</u>	<u>50,812</u>	<u>(15,470)</u>
Balances as of 12/31/21	<u>\$ 555,245</u>	<u>\$ 530,474</u>	<u>\$ 24,771</u>

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.

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
Net Pension Liability at 12/31/21	\$ 24,771	\$ 24,771	\$ 24,771
Change in Net Pension Liability	<u>65,768</u>	<u>-</u>	<u>(54,375)</u>
Calculated Net Pension Liability	<u>\$ 90,539</u>	<u>\$ 24,771</u>	<u>\$ (29,604)</u>

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, 2022

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, 2022, the employer recognized expense of \$1,053. 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	\$ -	\$ (30,219)
Differences in Assumptions	35,230	-
Excess (Deficit) Investment Returns	<u>39,944</u>	<u>-</u>
	75,174	(30,219)
Contributions Subsequent to the Measurement Date	<u>3,075</u>	<u>-</u>
Total	<u>\$ 78,249</u>	<u>\$ (30,219)</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, 2022.

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

Year ended	
2023	\$ 10,043
2024	\$ 18,076
2025	\$ 13,450
2026	\$ 8,821
2027	\$ (2,360)
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, 2022 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, 2022

CORONAVIRUS PANDEMIC

On March 11, 2020, the World Health Organization categorized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. The COVID-19 pandemic has caused business disruption through mandated and voluntary closings of multiple businesses. As of the date that these financial statements were available to be issued, the COVID-19 pandemic was ongoing and the related governmental preventative and protective measures continue, and as a result, the related financial impact and duration of the pandemic cannot be reasonably estimated at this time.

ACCOUNTING PRONOUNCEMENTS

GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognize as inflows of resources or outflows of resources based on the payment provisions of the contract. This standard will be effective in 2023. The Village does not believe that this standard will have any impact on its financial statements.

GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The standard will be in effect for 2023. The Village does not believe that this standard will have any impact on its financial statements.

GASB issued Statement No. 92, *Omnibus*. The objectives of this statement are to enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. The standard will be in effect for 2023. The Village does not believe that this standard will have any impact on its financial statements.

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. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statement No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The objective of the statement is to increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform. The standard has some requirements effective immediately and other will be in effect for 2023. The Village does not believe that this standard will have any impact on its financial statements.

VILLAGE OF LAKE ODESSA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2022

ACCOUNTING PRONOUNCEMENTS (Continued)

GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees. The standard will be in effect for 2023. The Village is currently evaluating this standard and the 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 2024. 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 2024. 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, 2022

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 877,543	\$ 877,543	\$ 877,543	\$ -
Resources (Inflows)				
Taxes and Penalties	523,150	523,150	497,772	(25,378)
Licenses and Permits	7,200	7,200	7,825	625
State Grants	1,220,979	291,141	346,781	55,640
Contributions from Local Units	300,000	-	34,952	34,952
Fines and Forfeitures	2,200	2,200	3,998	1,798
Interest and Rentals	20,950	20,950	3,702	(17,248)
Charges for Services	600	600	28,477	27,877
Other Revenue	<u>21,150</u>	<u>21,150</u>	<u>36,242</u>	<u>15,092</u>
Total Resources	<u>2,096,229</u>	<u>866,391</u>	<u>959,749</u>	<u>93,358</u>
Charges to Appropriations (Outflows)				
Legislative				
Governing Body	97,305	84,101	59,375	24,726
General Government				
Manager	46,283	45,517	43,947	1,570
Buildings and Grounds	30,400	19,491	14,291	5,200
Public Safety				
Police	340,340	341,861	324,255	17,606
Public Works				
Street Lighting	33,000	33,000	32,913	87
Garage and Maintenance	169,793	153,612	137,218	16,394
Community and Economic Development				
Planning and Zoning	7,862	8,062	7,384	678
Redevelopment and Housing	2,000	2,000	2,000	-
Recreation and Culture				
Parks	15,560	21,323	17,765	3,558
Arts Commission	13,560	13,560	17,974	(4,414)
Other	4,800	4,838	-	4,838
Debt Service				
Principal	-	-	2,450	(2,450)
Capital Outlay	<u>1,344,500</u>	<u>141,537</u>	<u>182,460</u>	<u>(40,923)</u>
Total Charges to Appropriations	<u>2,105,403</u>	<u>868,902</u>	<u>842,032</u>	<u>26,870</u>

VILLAGE OF LAKE ODESSA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)
For the Year Ended February 28, 2022

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Excess of Resources Over (Under) Appropriations	<u>(9,174)</u>	<u>(2,511)</u>	<u>117,717</u>	<u>120,228</u>
Other Financing Sources (Uses) Proceeds from Notes	<u>-</u>	<u>-</u>	<u>9,800</u>	<u>(9,800)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>9,800</u>	<u>(9,800)</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>(9,174)</u>	<u>(2,511)</u>	<u>127,517</u>	<u>130,028</u>
Budgetary Fund Balance - February 28, 2022	<u>\$ 868,369</u>	<u>\$ 875,032</u>	<u>\$ 1,005,060</u>	<u>\$ 130,028</u>

VILLAGE OF LAKE ODESSA
BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND
For the Year Ended February 28, 2022

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 542,555	\$ 542,555	\$ 542,555	\$ -
Resources (Inflows)				
State Grants	207,000	207,000	210,923	3,923
Interest and Rentals	<u>3,500</u>	<u>3,500</u>	<u>1,731</u>	<u>(1,769)</u>
Total Resources	<u>210,500</u>	<u>210,500</u>	<u>212,654</u>	<u>2,154</u>
Charges to Appropriations (Outflows)				
Public Works				
Street Administration	5,310	5,810	4,554	1,256
Street Routine Maintenance	401,195	400,695	313,289	87,406
Street Winter Maintenance	<u>13,850</u>	<u>13,850</u>	<u>17,558</u>	<u>(3,708)</u>
Total Charges to Appropriations	<u>420,355</u>	<u>420,355</u>	<u>335,401</u>	<u>84,954</u>
Excess of Resources Over (Under) Appropriations	<u>(209,855)</u>	<u>(209,855)</u>	<u>(122,747)</u>	<u>87,108</u>
Other Financing Sources (Uses)				
Operating Transfers (Out)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>(239,855)</u>	<u>(239,855)</u>	<u>(152,747)</u>	<u>87,108</u>
Budgetary Fund Balance - February 28, 2022	<u>\$ 302,700</u>	<u>\$ 302,700</u>	<u>\$ 389,808</u>	<u>\$ 87,108</u>

VILLAGE OF LAKE ODESSA
BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND
For the Year Ended February 28, 2022

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 428,977	\$ 428,977	\$ 428,977	\$ -
Resources (Inflows)				
State Grants	72,000	72,000	72,234	234
Interest and Rentals	1,100	1,100	910	(190)
Other	<u>30,000</u>	<u>30,000</u>	<u>38,630</u>	<u>8,630</u>
Total Resources	<u>103,100</u>	<u>103,100</u>	<u>111,774</u>	<u>8,674</u>
Charges to Appropriations (Outflows)				
Public Works				
Street Administration	2,900	2,900	1,821	1,079
Street Routine Maintenance	324,005	324,005	266,598	57,407
Street Winter Maintenance	<u>13,250</u>	<u>13,250</u>	<u>15,771</u>	<u>(2,521)</u>
Total Charges to Appropriations	<u>340,155</u>	<u>340,155</u>	<u>284,190</u>	<u>55,965</u>
Excess of Resources Over (Under) Appropriations	<u>(237,055)</u>	<u>(237,055)</u>	<u>(172,416)</u>	<u>64,639</u>
Other Financing Sources (Uses)				
Operating Transfers In	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>(207,055)</u>	<u>(207,055)</u>	<u>(142,416)</u>	<u>64,639</u>
Budgetary Fund Balance - February 28, 2022	<u>\$ 221,922</u>	<u>\$ 221,922</u>	<u>\$ 286,561</u>	<u>\$ 64,639</u>

VILLAGE OF LAKE ODESSA
BUDGETARY COMPARISON SCHEDULE - ROAD FUND
For the Year Ended February 28, 2022

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 500,495	\$ 500,495	\$ 500,495	\$ -
Resources (Inflows)				
Taxes and Penalties	217,005	217,005	219,468	2,463
State Grants	18,000	18,000	22,209	4,209
Interest and Rentals	2,400	2,400	2,174	(226)
Other	<u>57,000</u>	<u>57,000</u>	<u>-</u>	<u>(57,000)</u>
Total Resources	<u>294,405</u>	<u>294,405</u>	<u>243,851</u>	<u>(50,554)</u>
Charges to Appropriations (Outflows)				
Public Works				
Street Administration	38,580	39,595	36,945	2,650
Street Routine Maintenance	312,000	310,985	236,452	74,533
Sidewalk Replacement	15,000	15,000	2,570	12,430
Debt Service				
Principal	111,900	111,900	111,900	-
Interest	<u>16,148</u>	<u>16,148</u>	<u>15,488</u>	<u>660</u>
Total Charges to Appropriations	<u>493,628</u>	<u>493,628</u>	<u>403,355</u>	<u>90,273</u>
Excess of Resources Over (Under) Appropriations	<u>(199,223)</u>	<u>(199,223)</u>	<u>(159,504)</u>	<u>39,719</u>
Budgetary Fund Balance - February 28, 2022	<u>\$ 301,272</u>	<u>\$ 301,272</u>	<u>\$ 340,991</u>	<u>\$ 39,719</u>

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

	2021	2020	2019	2018	2017	2016
Actuarial Determined Contributions* Contributions in Relation to the Actuarially Determined Contribution	\$ 9,963	\$ 12,789	\$ 13,412	\$ 11,309	\$ 15,554	\$ 12,353
Contribution Deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ 15,554	\$ 12,353
Covered Employee Payroll	\$ 70,789	\$ 65,855	\$ 133,761	\$ 131,868	\$ 129,772	\$ 157,782
Contributions as a Percentage of Covered Employee Payroll	14%	19%	10%	9%	12%	8%

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	7.35%
Retirement Age	Varies depending on plan adoption
Mortality	50% Female/50% Male 2014 Group Annuity Mortality Table

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Pension Liability				
Service Cost	\$ 12,431	\$ 11,169	\$ 22,512	\$ 21,982
Interest	36,967	38,632	35,428	34,009
Changes of Benefit Terms	-	-	-	-
Difference Between Expected and Actual Experience	(3,542)	(29,331)	2,497	(133)
Changes of Assumptions	20,169	12,818	17,391	-
Benefit Payments Including Employee Refunds	(32,467)	(32,232)	(31,493)	(28,292)
Other	1,784	-	1,865	1,097
Net Change in Total Pension Liability	<u>35,342</u>	<u>1,056</u>	<u>48,200</u>	<u>28,663</u>
Total Pension Liability beginning	<u>519,903</u>	<u>518,847</u>	<u>470,647</u>	<u>441,984</u>
Total Pension Liability ending	<u>\$ 555,245</u>	<u>\$ 519,903</u>	<u>\$ 518,847</u>	<u>\$ 470,647</u>
Plan Fiduciary Net Position				
Contributions-Employer	9,963	12,789	13,412	11,309
Contributions-Employee	7,079	12,159	13,085	11,303
Net Investment Income	67,004	55,664	52,326	(16,031)
Benefit Payments Including Employee Refunds	(32,467)	(32,232)	(31,493)	(28,292)
Administrative Expense	(767)	(873)	(902)	(792)
Other	-	-	-	-
Net Change in Plan Fiduciary Net Position	<u>50,812</u>	<u>47,507</u>	<u>46,428</u>	<u>(22,503)</u>
Plan Fiduciary Net Position beginning	<u>479,662</u>	<u>432,155</u>	<u>385,727</u>	<u>408,230</u>
Plan Fiduciary Net Position ending	<u>530,474</u>	<u>479,662</u>	<u>432,155</u>	<u>385,727</u>
Employer Net Pension Liability (Asset)	<u>\$ 24,771</u>	<u>\$ 40,241</u>	<u>\$ 86,692</u>	<u>\$ 84,920</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	96%	92%	83%	82%
Covered Employee Payroll	70,789	65,855	133,761	131,868
Employer's Net Pension Liability as a percentage of covered employee payroll	35%	61%	65%	64%

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%

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, 2022

ASSETS	
Cash and Cash Equivalents	\$ 47,566
Due From Other Units of Government	<u>15,564</u>
Total Assets	<u>63,130</u>
LIABILITIES	
Accounts Payable	<u>-</u>
Total Liabilities	<u>-</u>
FUND BALANCE	
Restricted	<u>63,130</u>
Total Fund Balance	63,130
 Reconciliation of the Downtown Development Authority Balance Sheet to the Statement of Net Position:	
<p>Long-Term liabilities are not due and payable in the current period and are not reported in the funds</p>	
Notes Payable	<u>-</u>
Net Position of Downtown Development Authority	<u>\$ 63,130</u>

**VILLAGE OF LAKE ODESSA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - DOWNTOWN DEVELOPMENT AUTHORITY
For the Year Ended February 28, 2022**

Revenues	
Taxes and Penalties	\$ 36,647
Interest and Rentals	64
Other Income	<u>1,200</u>
Total Revenues	<u>37,911</u>
Expenditures	
Advertising	1,145
Contracted Services	665
Dues and Subscriptions	25
Miscellaneous	31
Grants	34,952
Supplies	<u>5,064</u>
Total Expenditures	<u>41,882</u>
Excess of Revenues Over (Under) Expenditures	 (3,971)
Fund Balance-March 1, 2021	<u>67,101</u>
Fund Balance-February 28, 2022	<u>\$ 63,130</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	\$ (3,971)
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>\$ (3,971)</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, and each major fund, of Village of Lake Odessa, Michigan, as of and for the year ended February 28, 2022, 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 29, 2022.

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.

2022-001 Preparation of Financial Statements

The Village does not have the technical expertise to prepare financial statements in accordance with U.S. generally accepted accounting principles, 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.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.

Walker, Flake & Sheldon PLLC

Hastings, Michigan
July 29, 2022