

**VILLAGE OF LAKE ODESSA**  
**FINANCIAL STATEMENTS**  
For the year ended February 29, 2020

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Village of Lake Odessa as of and for the year ended February 29, 2020, and the related notes to the financial statements, which collectively comprise the Village of Lake Odessa, Michigan's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Lake Odessa, as of February 29, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, schedule of employer contributions, schedule of changes in employer net pension liability and related ratios, and schedule of funding progress for the employee retirement system on pages 3 through 7 and 35 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting

Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*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 August 14, 2020, 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.



Hastings, Michigan

August 14, 2020

## 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 29, 2020. 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 \$11,034,095 (net position) compared to \$10,496,842 last year. Of this amount, \$1,828,830 (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 \$537,253 compared to an increase of \$2,326,914 last year.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,949,896 an increase of \$133,502 compared to an ending fund balance of \$1,816,394 an increase of \$425,626 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$506,922 or 61.78% of total general fund expenditures. Last year the unassigned fund balance for the general fund was \$541,113 or 86.01% total general fund expenditures.

### Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required and additional supplementary information. The Village adopts an annual budget for its general, major street, local street, and road funds. Within the required supplementary information, budget comparison statements have been provided for these funds to demonstrate compliance with the budget. Also, pension related schedules have been provided describing pension related information. Required supplementary information can be found on pages 35-42 of this report. Additional supplementary information on the Downtown Development Authority is presented immediately following the required supplementary information on budgets on pages 43-46 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 \$11,034,095 at the close of the most recent fiscal year.

\$1,828,830 of the Village's net position (16.57 percent) reflects its unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors. An additional portion of the Village's net position (12.86 percent) reflects restricted net position \$1,419,068, which are resources that are subject to external restrictions on how they may be used. The remaining portion of the Village's net position (70.57 percent) reflects its investment in capital assets \$7,786,197 (e.g. land, buildings, equipment and furniture and fixtures). The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

## Village of Lake Odessa's Condensed Financial Data

	<u>Governmental</u>		<u>Business-Type</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Current and Other Assets	\$ 2,107,792	\$ 1,867,066	\$ 1,431,239	\$ 1,413,932
Capital Assets	<u>3,460,762</u>	<u>3,373,215</u>	<u>8,954,744</u>	<u>9,017,262</u>
<b>Total Assets</b>	<b><u>5,568,554</u></b>	<b><u>5,240,281</u></b>	<b><u>10,385,983</u></b>	<b><u>10,431,194</u></b>
Deferred Outflows of Resources	<u>27,044</u>	<u>3,738</u>	-	-
Short-Term Liabilities	281,533	168,145	162,952	238,233
Long-Term Liabilities	<u>941,792</u>	<u>1,053,479</u>	<u>3,561,209</u>	<u>3,707,794</u>
<b>Total Liabilities</b>	<b><u>1,223,325</u></b>	<b><u>1,221,624</u></b>	<b><u>3,724,161</u></b>	<b><u>3,946,027</u></b>
Deferred Inflows of Resources	-	<u>10,720</u>	-	-
<b>Net Position</b>				
Invested in Capital Assets, Net of Related Debt	2,500,862	2,304,030	5,285,335	5,089,151
Restricted	1,251,786	1,114,539	167,282	318,212
Unrestricted	<u>619,625</u>	<u>593,106</u>	<u>1,209,205</u>	<u>1,077,804</u>
<b>Total Net Position</b>	<b><u>\$ 4,372,273</u></b>	<b><u>\$ 4,011,675</u></b>	<b><u>\$ 6,661,822</u></b>	<b><u>\$ 6,485,167</u></b>
<b>Program Revenues</b>				
Charges for Services	\$ 53,958	\$ 49,250	\$ 994,918	\$ 928,236
Operating Grants and Contributions	269,162	282,881	-	-
Capital Grants and Contributions	-	-	-	1,914,043
<b>General Revenues</b>				
Property Taxes	683,923	702,013	-	-
State Grants	274,118	247,370	-	-
Investment Income	12,655	7,268	7,516	6,764
Other	51,322	23,197	-	-
Gain on Disposal of Fixed Assets	<u>2,500</u>	<u>12,478</u>	-	-
<b>Total Revenues</b>	<b><u>1,347,638</u></b>	<b><u>1,324,457</u></b>	<b><u>1,002,434</u></b>	<b><u>2,849,043</u></b>
<b>Program Expenses</b>				
<b>Governmental Activities</b>				
Legislative	66,182	64,918	-	-
General Government	31,140	87,852	-	-
Public Safety	261,611	218,672	-	-
Public Works	544,558	552,365	-	-
Community and Economic Development	8,728	11,622	-	-
Recreation and Culture	55,130	62,032	-	-
Interest and Fiscal Charges	19,691	23,237	-	-
<b>Business-Type Activities</b>				
Water	-	-	737,751	739,146
Interest and Fiscal Charges	-	-	<u>88,028</u>	<u>86,742</u>
<b>Total Expenses</b>	<b><u>987,040</u></b>	<b><u>1,020,698</u></b>	<b><u>825,779</u></b>	<b><u>825,888</u></b>
<b>Change in Net Position</b>	<b><u>\$ 360,598</u></b>	<b><u>\$ 303,759</u></b>	<b><u>\$ 176,655</u></b>	<b><u>\$ 2,023,155</u></b>

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 \$360,598 mainly due to slight increases in several revenue categories and decreases in expenses.

**Business-Type activities.** Business-type activities increased the Village's net position by \$176,655 mainly due to increased charges for services.

## **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 \$1,949,896 an increase of \$133,502. Last year, the Village's governmental funds combined ending fund balance was \$1,816,394 an increase of \$425,626.

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 \$506,922 and the total fund balance was \$725,219. Unassigned fund balance represents 61.78% of the total general fund expenditures.

The fund balance of the Village's general fund increased by \$378 during the current fiscal year.

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

As of the end of the current fiscal year, the Village's water fund reported unrestricted net position of \$1,209,205. The Water Fund had an increase in net position of \$176,655.

### **General Fund Budgetary Highlights**

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

- \$24,000 increase to Taxes and Penalties
- \$40,000 increase to State Grants
- \$15,525 increase to Legislative
- \$5,500 increase to Buildings and Grounds
- \$74,370 decrease to Police
- \$40,400 decrease to Garage and Maintenance
- \$245,000 increase to Capital Outlay

### **Capital Assets**

The Village's investment in capital assets for its governmental activities as of February 29, 2020, amounts to \$3,460,762 (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 a truck and trailer, police vehicle and radios, park improvements and paving. 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 \$4,629,309, and general obligation debt of \$18,837. The Village's debt represents bonds secured by specified revenue sources, equipment secured by the equipment and compensated absences, respectively.



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

	Governmental-Type Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Primary Government:						
Revenue Bonds	\$ 959,900	\$ 1,059,700	\$ 3,669,409	\$ 3,871,300	\$ 4,629,309	\$ 4,931,000
Notes Payable	-	9,484	-	56,812	-	66,296
Compensated Absenses	18,837	16,847	-	-	18,837	16,847
<b>Total</b>	<b>\$ 978,737</b>	<b>\$ 1,086,031</b>	<b>\$ 3,669,409</b>	<b>\$ 3,928,112</b>	<b>\$ 4,648,146</b>	<b>\$ 5,014,143</b>

The Village's debt increased by \$365,997 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**

The Village expects a decrease in the amount of State Revenue Sharing from the Department of Treasury and also expects a decrease in ACT 51 funds this next fiscal year. The Village has been able to maintain the same level of service to its residents that they have come to expect. 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. The trail will connect with Phase 1a of the Jordan Lake Trail which will be completed summer 2021. The Village obligation for match dollars is 30.6% (\$414,000) which will be provided for by the Jordan Lake Trail Board and Odessa Township. Odessa Township has been awarded a \$300,000 Michigan Department of Natural Resources (MDNR) Trust Fund Grant for construction of the Trail. Total cost of the project is anticipated to be \$1,350,493. Village staff will also continue to seek ways to improve streets and water-related infrastructure. One project anticipated for 2021 will be street and water-infrastructure improvements to Pearl, Ionia, Pleasant, and Emerson Streets. These improvements are not anticipated to directly impact rates for services. Village staff will also work 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 29, 2020**

<b>ASSETS</b>	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Downtown Development Authority</b>
Cash and Cash Equivalents	\$ 1,653,028	\$ 1,168,875	\$ 2,821,903	\$ 37,807
Investments	306,422	122,565	428,987	-
Receivables (Net)				
Accounts	-	138,762	138,762	-
Other	324	-	324	-
Due from State	83,919	-	83,919	-
Due from other Governments	12,940	-	12,940	-
Due from other Funds	51,159	1,037	52,196	12,940
Capital Assets not being Depreciated	21,162	23,312	44,474	-
Capital Assets being Depreciated, Net	<u>3,439,600</u>	<u>8,931,432</u>	<u>12,371,032</u>	<u>-</u>
<b>Total Assets</b>	<u>5,568,554</u>	<u>10,385,983</u>	<u>15,954,537</u>	<u>50,747</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Pension Outflows	<u>27,044</u>	<u>-</u>	<u>27,044</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts Payable	18,337	45,963	64,300	4,221
Accrued Liabilities	75,941	8,759	84,700	-
Due to other Funds	63,618	30	63,648	-
Noncurrent Liabilities				
Due Within One Year	123,637	108,200	231,837	-
Due in more than One Year	855,100	3,561,209	4,416,309	-
Net Pension Liability	<u>86,692</u>	<u>-</u>	<u>86,692</u>	<u>-</u>
<b>Total Liabilities</b>	<u>1,223,325</u>	<u>3,724,161</u>	<u>4,947,486</u>	<u>4,221</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Pension Inflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>				
Net Position				
Invested in Capital Assets, Net of Related Debt	2,500,862	5,285,335	7,786,197	-
Restricted for Roads	1,224,677	-	1,224,677	-
Restricted for Community Activities	27,109	-	27,109	46,526
Restricted for Debt	-	64,613	64,613	-
Restricted for Improvements	-	102,669	102,669	-
Unrestricted	<u>619,625</u>	<u>1,209,205</u>	<u>1,828,830</u>	<u>-</u>
<b>Total Net Position</b>	<u>\$ 4,372,273</u>	<u>\$ 6,661,822</u>	<u>\$ 11,034,095</u>	<u>\$ 46,526</u>

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

**VILLAGE OF LAKE ODESSA**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**For the Year Ended February 29, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
<b>Primary Government</b>								
<b>Governmental Activities</b>								
Legislative	\$ 66,182	\$ -	\$ -	\$ -	\$ (66,182)	\$ -	\$ (66,182)	
General Government	31,140	49,459	3,458	-	21,777	-	21,777	
Public Safety	261,611	4,499	-	-	(257,112)	-	(257,112)	
Public Works	544,558	-	258,343	-	(286,215)	-	(286,215)	
Community and Economic Development	8,728	-	-	-	(8,728)	-	(8,728)	
Recreation and Culture	55,130	-	7,361	-	(47,769)	-	(47,769)	
Interest and Fiscal Charges	19,691	-	-	-	(19,691)	-	(19,691)	
<b>Total Governmental Activities</b>	<b>987,040</b>	<b>53,958</b>	<b>269,162</b>	<b>-</b>	<b>(663,920)</b>	<b>-</b>	<b>(663,920)</b>	
<b>Business-Type Activities</b>								
Water	737,751	994,918	-	-	-	257,167	257,167	
Interest and Fiscal Charges	88,028	-	-	-	-	(88,028)	(88,028)	
<b>Total Business-Type Activities</b>	<b>825,779</b>	<b>994,918</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>169,139</b>	<b>169,139</b>	
<b>Total Primary Government</b>	<b>\$ 1,812,819</b>	<b>\$ 1,048,876</b>	<b>\$ 269,162</b>	<b>\$ -</b>	<b>(663,920)</b>	<b>169,139</b>	<b>(494,781)</b>	
<b>Component Unit</b>								
Downtown Development Authority	\$ 13,104	\$ -	\$ -	\$ -				\$ (13,104)
<b>Total Component Unit</b>	<b>\$ 13,104</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>				<b>(13,104)</b>
<b>General Revenues</b>								
Taxes and Penalties					683,923	-	683,923	30,907
State Grants					274,118	-	274,118	-
Investment Income					12,655	7,516	20,171	67
Other					51,322	-	51,322	940
<b>Total General Revenue</b>					<b>1,022,018</b>	<b>7,516</b>	<b>1,029,534</b>	<b>31,914</b>
Gain (Loss) on Disposal of Capital Assets					2,500	-	2,500	-
Change in Net Position					360,598	176,655	537,253	18,810
Net Position-Restated-Beginning					4,011,675	6,485,167	10,496,842	27,716
Net Position-Ending					<b>\$ 4,372,273</b>	<b>\$ 6,661,822</b>	<b>\$ 11,034,095</b>	<b>\$ 46,526</b>

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

**VILLAGE OF LAKE ODESSA**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**February 29, 2020**

<b>ASSETS</b>	<b>General</b>	<b>Major Streets</b>	<b>Local Streets</b>	<b>Road Fund</b>	<b>Total Governmental Funds</b>
Cash and Cash Equivalents	\$ 710,275	\$ 283,375	\$ 361,630	\$ 297,748	\$ 1,653,028
Investments	72,131	104,889	-	129,402	306,422
Receivables					
Other	324	-	-	-	324
Due from State	35,791	36,000	12,128	-	83,919
Due from Other Governments	12,940	-	-	-	12,940
Due from Other Funds	<u>14,319</u>	<u>16,824</u>	<u>5,667</u>	<u>14,349</u>	<u>51,159</u>
<b>Total Assets</b>	<b><u>\$ 845,780</u></b>	<b><u>\$ 441,088</u></b>	<b><u>\$ 379,425</u></b>	<b><u>\$ 441,499</u></b>	<b><u>\$ 2,107,792</u></b>
<b>LIABILITIES</b>					
Accounts Payable	\$ -	\$ 7,335	\$ 5,501	\$ 5,501	\$ 18,337
Accrued Liabilities	69,959	-	-	5,982	75,941
Due To Other Funds	<u>50,602</u>	<u>8,567</u>	<u>4,449</u>	<u>-</u>	<u>63,618</u>
<b>Total Liabilities</b>	<b><u>120,561</u></b>	<b><u>15,902</u></b>	<b><u>9,950</u></b>	<b><u>11,483</u></b>	<b><u>157,896</u></b>
<b>FUND BALANCE</b>					
Restricted	27,109	425,186	369,475	430,016	1,251,786
Committed	191,188	-	-	-	191,188
Unassigned	<u>506,922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>506,922</u>
<b>Total Fund Balances</b>	<b><u>725,219</u></b>	<b><u>425,186</u></b>	<b><u>369,475</u></b>	<b><u>430,016</u></b>	<b><u>1,949,896</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 845,780</u></b>	<b><u>\$ 441,088</u></b>	<b><u>\$ 379,425</u></b>	<b><u>\$ 441,499</u></b>	<b><u>\$ 2,107,792</u></b>

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 29, 2020**

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**Governmental Fund Balance - February 29, 2020** **\$ 1,949,896**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:

Governmental capital assets	\$6,963,186	
Less: accumulated depreciation	<u>(3,502,424)</u>	3,460,762

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Bonds payable	(959,900)	
Notes payable	-	
Accumulated vacation and sick leave	(18,837)	
Net pension liability	<u>(86,692)</u>	(1,065,429)

Deferred outflows of resources are not accrued in the current period and are not reported in the funds

Deferred pension outflows		27,044
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Deferred inflows of resources not due and payable in the current period and are not reported in the funds

Deferred pension inflows		<u>-</u>
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**Net Position of Governmental Activities** **\$ 4,372,273**

**VILLAGE OF LAKE ODESSA**  
**GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
For the Year Ended February 29, 2020

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Road Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes and Penalties	\$ 474,681	\$ -	\$ -	\$ 209,242	\$ 683,923
Licenses and Permits	8,165	-	-	-	8,165
State Grants	274,118	193,243	65,100	14,349	546,810
Fines and Forfeitures	4,499	-	-	-	4,499
Interest and Rentals	7,390	3,489	1,792	3,760	16,431
Charges for Services	23,169	-	-	-	23,169
Other Revenue	<u>26,290</u>	<u>35,851</u>	<u>-</u>	<u>-</u>	<u>62,141</u>
<b>Total Revenues</b>	<u>818,312</u>	<u>232,583</u>	<u>66,892</u>	<u>227,351</u>	<u>1,345,138</u>
<b>Expenditures</b>					
<b>Current</b>					
Legislative	66,182	-	-	-	66,182
General Government	51,923	-	-	-	51,923
Public Safety	250,735	-	-	-	250,735
Public Works	163,840	196,146	35,186	42,879	438,051
Community and Economic Development	8,728	-	-	-	8,728
Recreation and Culture	33,345	-	-	-	33,345
<b>Debt Service</b>					
Principal	9,484	-	-	99,800	109,284
Interest	-	-	-	19,691	19,691
<b>Capital Outlay</b>	<u>236,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>236,197</u>
<b>Total Expenditures</b>	<u>820,434</u>	<u>196,146</u>	<u>35,186</u>	<u>162,370</u>	<u>1,214,136</u>
<b>Excess of Revenues Over (Under)</b>					
<b>Expenditures</b>	<u>(2,122)</u>	<u>36,437</u>	<u>31,706</u>	<u>64,981</u>	<u>131,002</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from Sale of Capital Assets	2,500	-	-	-	2,500
Operating Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	378	36,437	31,706	64,981	133,502
<b>Fund Balance-March 1, 2019</b>	<u>724,841</u>	<u>388,749</u>	<u>337,769</u>	<u>365,035</u>	<u>1,816,394</u>
<b>Fund Balance-February 29, 2020</b>	<u>\$ 725,219</u>	<u>\$ 425,186</u>	<u>\$ 369,475</u>	<u>\$ 430,016</u>	<u>\$ 1,949,896</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 29, 2020**

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<b>Net Change in Fund Balances - Total Governmental Funds</b>		<b>\$ 133,502</b>
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		(1,990)
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)		109,284
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	\$ 236,197	
Expenditures for infrastructure assets	157,207	
Less: Current year depreciation	(305,857)	
Less: Proceeds from sale of fixed assets	(2,500)	
Plus: Gain on sale of fixed assets	<u>2,500</u>	87,547
Government funds report pension expenditures. However, in the statement of activities, the costs of pension expenses are deferred for timing differences		34,027
Net (increase) decrease in pension liability		<u>(1,772)</u>
<b>Change in Net Position of Governmental Activities</b>		<b><u>\$ 360,598</u></b>

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

**VILLAGE OF LAKE ODESSA**  
**PROPRIETARY FUNDS STATEMENT OF NET POSITION**  
**February 29, 2020**

	<b>Enterprise Fund Water System</b>	<b>Total</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,168,875	\$ 1,168,875
Investments	122,565	122,565
Receivables (Net)		
Accounts	138,762	138,762
Due from other Funds	1,037	1,037
Capital Assets not being Depreciated	23,312	23,312
Capital Assets being Depreciated, Net	8,931,432	8,931,432
<b>Total Assets</b>	<b>\$ 10,385,983</b>	<b>\$ 10,385,983</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 45,963	\$ 45,963
Accrued Liabilities	8,759	8,759
Due to other Funds	30	30
Bonds Payable	3,669,409	3,669,409
<b>Total Liabilities</b>	<b>3,724,161</b>	<b>3,724,161</b>
<b>NET POSITION</b>		
Investment in Capital Assets, Net of Related Debt	5,285,335	5,285,335
Restricted	167,282	167,282
Unrestricted	1,209,205	1,209,205
<b>Total Net Position</b>	<b>6,661,822</b>	<b>6,661,822</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 10,385,983</b>	<b>\$ 10,385,983</b>

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 29, 2020**

	<b>Enterprise Fund Water System</b>	<b>Total</b>
Operating Revenues		
Charges for Services	\$ 973,295	\$ 973,295
Other Operating Revenue	21,623	21,623
<b>Total Operating Revenues</b>	<b>994,918</b>	<b>994,918</b>
Operating Expenses		
Administration	46,596	46,596
Salaries and Fringe Benefits	230,494	230,494
Bank Fees	20	20
Supplies	29,263	29,263
Office Supplies	3,869	3,869
Contractual Services	20,198	20,198
Repairs and Maintenance	103,244	103,244
Gasoline	3,508	3,508
Depreciation	217,830	217,830
Dues and Memberships	3,590	3,590
Miscellaneous	38	38
Telephone	3,843	3,843
Utilities	55,802	55,802
Education and Training	950	950
Insurance and Bonds	16,274	16,274
Water Testing	2,232	2,232
<b>Total Operating Expenses</b>	<b>737,751</b>	<b>737,751</b>
<b>Operating Income</b>	<b>257,167</b>	<b>257,167</b>
Nonoperating Revenues (Expenses)		
Interest Earned on Investments	7,516	7,516
Interest Expense	(88,028)	(88,028)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(80,512)</b>	<b>(80,512)</b>
<b>Change in Net Position</b>	<b>176,655</b>	<b>176,655</b>
<b>Net Position-Restated-March 1, 2019</b>	<b>6,485,167</b>	<b>6,485,167</b>
<b>Net Position-February 29, 2020</b>	<b>\$ 6,661,822</b>	<b>\$ 6,661,822</b>

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 29, 2020

	<b>Enterprise Fund Water System</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>		
Cash Charges for Services	\$ 958,864	\$ 958,864
Other Operating Revenue	21,623	21,623
Administrative Costs	(46,596)	(46,596)
Cash Payments to Employees for Services	(230,189)	(230,189)
Cash Payments to Suppliers for Goods and Services	(216,782)	(216,782)
<b>Net Cash Provided by Operating Activities</b>	<b>486,920</b>	<b>486,920</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Payment of Principal	(587,703)	(587,703)
Payment of Interest	(88,414)	(88,414)
Bond Proceeds	439,000	439,000
<b>Net Cash used by Capital and Related Financing Activities</b>	<b>(237,117)</b>	<b>(237,117)</b>
<b>Cash Flows from Investing Activities:</b>		
Interest Earned on Cash Equivalents and Investments	7,516	7,516
Purchase of Capital Assets	(181,703)	(181,703)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(174,187)</b>	<b>(174,187)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>75,616</b>	<b>75,616</b>
<b>Cash and Cash Equivalents at Beginning of the Year</b> (Including \$222,561 in investments)	<b>1,215,824</b>	<b>1,215,824</b>
<b>Cash and Cash Equivalents at End of the Year</b> (Including \$122,565 in investments)	<b>\$ 1,291,440</b>	<b>\$ 1,291,440</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ 257,167	\$ 257,167
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>		
Depreciation	217,830	217,830
Decrease (Increase) in Receivables	(14,431)	(14,431)
Decrease (Increase) in Due Froms/Due Tos	305	305
(Decrease) Increase in Accounts Payable	26,049	26,049
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 486,920</b>	<b>\$ 486,920</b>

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

**VILLAGE OF LAKE ODESSA**  
**FIDUCIARY FUNDS STATEMENT OF NET POSITION**  
**February 29, 2020**

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<b>ASSETS</b>	<b>Trust and Agency</b>
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 1,488
<b>Total Assets</b>	<u>1,488</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Due to Other Funds	<u>1,488</u>
<b>Total Liabilities</b>	<u>\$ 1,488</u>

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

**VILLAGE OF LAKE ODESSA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended February 29, 2020**

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**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 29, 2020**

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**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 1<sup>st</sup> based on the taxable valuation of property located in the Village as of the preceding December 31<sup>st</sup>.

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 2019 State taxable valuation of the Village totaled \$45,161,622 on which ad valorem taxes levied consisted of 10.6475 mills for Village operating purposes and 4.7718 mills for Village street operations, raising \$480,858 for operating and \$215,502 for street operations. The amounts recognized in the General Fund financial statements as current property tax revenue represent 2019 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 29, 2020**

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**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 31<sup>st</sup>, 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 29, 2020**

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**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:

<b><u>General Assets</u></b>	
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
<b><u>Infrastructure Assets</u></b>	
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 29, 2020**

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**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 29, 2020**

**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 29, 2020, 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			
Other	\$ 3,005	\$ 4,225	\$ 1,220
Debt Service			
Principal	\$ -	\$ 9,484	\$ 9,484
Road			
Street Routine Maintenance	\$ 24,700	\$ 30,362	\$ 5,662

**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 two banks, 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 29, 2020**

**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	\$ 1,653,028	\$ 1,168,875	\$ 1,488	\$ 2,823,391	\$ 37,807
Investments	306,422	122,565	-	428,987	-
Restricted Assets	-	-	-	-	-
<b>Total</b>	<b><u>\$ 1,959,450</u></b>	<b><u>\$ 1,291,440</u></b>	<b><u>\$ 1,488</u></b>	<b><u>\$ 3,252,378</u></b>	<b><u>\$ 37,807</u></b>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 3,252,098	\$ 37,807
Investment in Securities (Mutual Funds and Similar Vehicles)	-	-
Petty Cash and Cash on Hand	<u>280</u>	-
<b>Total</b>	<b><u>\$ 3,252,378</u></b>	<b><u>\$ 37,807</u></b>

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 29, 2020, the Village had deposits with a carrying amount of \$3,252,098 and a bank balance of \$3,337,478. Of the bank balance, \$990,276 is covered by federal depository insurance, \$2,347,202 is uninsured and \$0 is collateralized. The DDA has deposits with a carrying amount of \$37,807 and a bank balance of \$37,835. Of the bank balance, \$37,835 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 29, 2020**

**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>
<b>Governmental Activities</b>				
<b>Capital Assets not being Depreciated/Amortized</b>				
Construction in Progress	\$ -	\$ 21,162	\$ -	\$ 21,162
Subtotal	<u>-</u>	<u>21,162</u>	<u>-</u>	<u>21,162</u>
<b>Capital Assets being Depreciated/Amortized</b>				
Buildings	535,386	-	-	535,386
Land Improvements	373,682	16,845	-	390,527
Equipment	562,097	218,018	18,628	761,487
Data Processing Equipment	66,850	1,334	-	68,184
Infrastructure	<u>5,050,395</u>	<u>136,045</u>	<u>-</u>	<u>5,186,440</u>
Subtotal	<u>6,588,410</u>	<u>372,242</u>	<u>18,628</u>	<u>6,942,024</u>
<b>Less Accumulated Depreciation/Amortization for</b>				
Buildings	462,479	7,461	-	469,940
Land Improvements	99,414	19,250	-	118,664
Equipment	369,458	46,565	18,628	397,395
Data Processing Equipment	61,347	2,220	-	63,567
Infrastructure	<u>2,222,497</u>	<u>230,361</u>	<u>-</u>	<u>2,452,858</u>
Subtotal	<u>3,215,195</u>	<u>305,857</u>	<u>18,628</u>	<u>3,502,424</u>
<b>Net Capital Assets being Depreciated/Amortized</b>	<u>3,373,215</u>	<u>66,385</u>	<u>-</u>	<u>3,439,600</u>
<b>Governmental Activities Total Capital Assets-Net of Depreciation/Amortization</b>	<u>\$ 3,373,215</u>	<u>\$ 87,547</u>	<u>\$ -</u>	<u>\$ 3,460,762</u>

**VILLAGE OF LAKE ODESSA**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended February 29, 2020

**CAPITAL ASSETS (Continued)**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Business-Type Activities</b>				
Capital Assets not being Depreciated/Amortized				
Land	\$ 2,150	\$ -	\$ -	\$ 2,150
Construction in Progress	<u>2,226,004</u>	<u>21,162</u>	<u>2,226,004</u>	<u>21,162</u>
Subtotal	<u>2,228,154</u>	<u>21,162</u>	<u>2,226,004</u>	<u>23,312</u>
Capital Assets being Depreciated/Amortized				
Buildings and Water System	8,324,094	2,306,773	-	10,630,867
Land Improvements	1,737	-	-	1,737
Office Equipment	19,101	-	-	19,101
Equipment	<u>423,728</u>	<u>53,381</u>	<u>-</u>	<u>477,109</u>
Subtotal	<u>8,768,660</u>	<u>2,360,154</u>	<u>-</u>	<u>11,128,814</u>
Less Accumulated Depreciation/Amortization for				
Buildings and Water System	1,646,082	186,068	-	1,832,150
Land Improvements	1,013	87	-	1,100
Office Equipment	15,767	1,118	-	16,885
Equipment	<u>316,690</u>	<u>30,557</u>	<u>-</u>	<u>347,247</u>
Subtotal	<u>1,979,552</u>	<u>217,830</u>	<u>-</u>	<u>2,197,382</u>
Net Capital Assets being Depreciated/Amortized	<u>6,789,108</u>	<u>2,142,324</u>	<u>-</u>	<u>8,931,432</u>
Governmental Activities Total Capital Assets-Net of Depreciation/Amortization	<u>\$ 9,017,262</u>	<u>\$ 2,163,486</u>	<u>\$ 2,226,004</u>	<u>\$ 8,954,744</u>

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

<b>Governmental Activities</b>	
General Government	\$ 9,482
Public Safety	10,876
Public Works	263,714
Recreation and Culture	<u>21,785</u>
<b>Total Governmental Activities</b>	<u>\$ 305,857</u>
<b>Business-Type Activities</b>	
Water Fund	<u>\$ 217,830</u>
<b>Total Business-Type Activities</b>	<u>\$ 217,830</u>

**VILLAGE OF LAKE ODESSA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 29, 2020**

**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	\$ 14,319	General	50,602
Major	16,824	Major	8,567
Local	5,667	Local	4,449
Road	14,349	Water	30
DDA	12,940	Payroll	<u>1,488</u>
Water	<u>1,037</u>		
	<u>\$ 65,136</u>		<u>\$ 65,136</u>
<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Local Streets	\$ -	Major Streets	\$ -
	<u>\$ -</u>		<u>\$ -</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, during the current year there were not transfers.

**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.

**LEASE COMMITMENTS**

The Village has entered into an operating lease for a John Deere backhoe. The lease is for 36 months at \$535.76 per month. At the end of 36 months, the Village has the option to renew the lease. At any point during the lease, if the Village has not defaulted on any payments, it has the option to purchase the backhoe for the remaining backhoe value. The annual requirements und the lease commitment are as follows:

<u>Year End Feb 28</u>	
2021	<u>3,750</u>
Total	<u>\$ 3,750</u>

**VILLAGE OF LAKE ODESSA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended February 29, 2020**

**LONG-TERM DEBT (Continued)**

The following is a summary of the outstanding debt of the Village as of February 29, 2020:

	<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>
<b>Primary Government</b>							
<b>Governmental Activities</b>							
Notes							
Equipment Note	2.000%	2025	\$ 9,484	\$ (9,484)	\$ -	\$ -	\$ -
Bonds							
2017 Refunding Bond	2.260%	2029	475,300	(36,400)	-	438,900	36,400
2016 Refunding Bond	1.800%	2026	584,400	(63,400)	-	521,000	68,400
Other Liabilities							
Compensated Absences			16,847	-	1,990	18,837	18,837
<b>Total Governmental Activities</b>			<u>\$ 1,086,031</u>	<u>\$ (109,284)</u>	<u>\$ 1,990</u>	<u>\$ 978,737</u>	<u>\$ 123,637</u>
<b>Business-Type Activities</b>							
Notes							
Equipment Note	2.000%	2025	\$ 56,812	\$ (56,812)	\$ -	\$ -	\$ -
Water Bonds							
2017 Refunding Bond	2.260%	2029	203,700	(15,600)	-	188,100	15,600
2016 Rural Development	2.250%	2055	3,432,000	(598,691)	439,000	3,272,309	66,000
2016 Refunding Bond	1.800%	2026	235,600	(26,600)	-	209,000	26,600
<b>Total Business-Type Activities</b>			<u>\$ 3,928,112</u>	<u>\$ (697,703)</u>	<u>\$ 439,000</u>	<u>\$ 3,669,409</u>	<u>\$ 108,200</u>

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

<u>Year End Feb 28</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 104,800	\$ 18,270	\$ 108,200	\$ 80,524
2022	111,900	16,147	110,100	78,898
2023	111,900	13,956	112,100	76,538
2024	115,900	11,723	119,100	74,087
2025	118,000	9,423	121,000	71,532
2026 to 2030	397,400	16,974	557,600	319,638
2031 to 2035	-	-	430,000	266,998
2036 to 2040	-	-	481,000	216,372
2041 to 2045	-	-	538,000	159,716
2046 to 2050	-	-	602,000	96,400
2051 to 2055	-	-	490,309	28,384
<b>Total</b>	<u>\$ 959,900</u>	<u>\$ 86,493</u>	<u>\$ 3,669,409</u>	<u>\$ 1,469,087</u>

**VILLAGE OF LAKE ODESSA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended February 29, 2020**

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**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 29, 2020, there were no claims, which exceeded insurance coverage. The Village had no significant reduction in insurance coverage from previous years.

**PRIOR PERIOD ADJUSTMENT**

During the finalization of water revenue bonds, it was noted the loan balance did not reconcile to USDA loan balance. Two payments made during the 2-28-18 fiscal year were originally reported by the USDA as interest only. These two payments actually consisted of principal and interest payments.

Water Fund	
Originally reported 2-28-19 net position	\$ 6,375,167
Principal portion of debt payments	<u>110,000</u>
Restated 2-28-19 net position	<u>\$ 6,485,167</u>

**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](http://www.mersofmich.com).

**VILLAGE OF LAKE ODESSA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended February 29, 2020**

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**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, 2019 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employee entitled to but not yet receiving benefits	0
Active employees	<u>2</u> <u>4</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 \$13,412

Employee contributions for the fiscal year were \$13,084

**Net Pension Liability**

The employer's Net Pension Liability was measured as of December 31, 2019, 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 29, 2020**

**DEFINED BENEFIT PENSION PLAN (Continued)**

**Actuarial Assumptions**

The total pension liability in the December 31, 2019 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: 7.35%, 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 2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table is used.

The actuarial assumptions and methods are adopted by the MERS Retirement Board, and are reviewed every five years in an Experience Study. The most recent study was completed in 2015.

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	55.50%	4.80%
Global Fixed Income	18.50%	0.70%
Real Assets	13.50%	1.31%
Diversifying Strategies	12.50%	0.94%

**Discount Rate**

The discount rate used to measure the total pension liability is 7.60% for 2019. 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 expected 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 29, 2020**

**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 12/31/18	\$ 470,647	\$ 385,727	\$ 84,920
Changes for the Year			
Service Cost	22,512	-	22,512
Interest on Total Pension Liability	35,428	-	35,428
Changes in Benefits	-	-	-
Difference Between Expected and Actual Experience	2,497	-	2,497
Changes in Assumptions	17,391		17,391
Employer Contributions	-	26,497	(26,497)
Employee Contributions	-	-	-
Net Investment Income	-	52,326	(52,326)
Benefit Payments Including Employee Refunds	(31,493)	(31,493)	-
Administrative Expense	-	(902)	902
Other Changes	1,865	-	1,865
Net Changes	<u>48,200</u>	<u>46,428</u>	<u>1,772</u>
Balances as of 12/31/19	\$ 518,847	\$ 432,155	\$ 86,692

**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 7.60%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% point lower (6.60%) or 1% higher (8.60%) than the current rate.

	<u>1% Decrease 6.60%</u>	<u>Current Discount Rate 7.60%</u>	<u>1% Increase 8.60%</u>
Net Pension Liability at 12-31-19		\$ 86,692	
Change in Net Pension Liability	\$ 65,713	-	\$ (54,019)
Calculated Net Pension Liability	<u>\$ 152,405</u>	<u>\$ 86,692</u>	<u>\$ 32,673</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 29, 2020**

**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 29, 2020, the employer recognized expense of \$36,710. 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	\$ 5,232	\$ -
Differences in Assumptions	14,907	-
Excess (Deficit) Investment Returns	2,452	-
Contributions Subsequent to the Measurement Date	<u>4,453</u>	-
Total	<u>\$ 27,044</u>	<u>\$ -</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 29, 2020.

**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 on 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 29, 2020 were \$22,487 and employee contributions were \$23,664. 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.

**SUBSEQUENT EVENT**

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. Due to this, economic uncertainties have arisen that may negatively affect the Village. The Village expects this to negatively impact its operations and financial condition, however the extent of this impact cannot be reasonably estimated at this time.

**ACCOUNTING PRONOUNCEMENTS**

GASB issued Statement No. 84, *Fiduciary activities*. This standard seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This standard will be effective in 2021. 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 29, 2020**

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**ACCOUNTING PRONOUNCEMENTS (Continued)**

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 2021. The Village does not believe that this standard will have any impact on its financial statements.

GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement established accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62. This statement requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. The standard will be in effect for 2021. 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 2022. 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 2022. The Village does not believe that this standard will have any impact on its financial statements.

GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this statement is to address those and other accounting and financial reporting implication that result from the replacement of an interbank offered rate (IBOR). The standard will be in effect for 2022. 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. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objectives of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first become effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. The Village is currently evaluating this standard and the 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.

**VILLAGE OF LAKE ODESSA**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For the Year Ended February 29, 2020

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 724,841	\$ 724,841	\$ 724,841	\$ -
<b>Resources (Inflows)</b>				
Taxes and Penalties	511,440	535,440	474,681	(60,759)
Licenses and Permits	8,100	8,100	8,165	65
State Grants	239,192	283,970	274,118	(9,852)
Fines and Forfeitures	3,500	3,500	4,499	999
Interest and Rentals	4,005	4,005	7,390	3,385
Charges for Services	22,700	22,700	23,169	469
Other Revenue	<u>23,250</u>	<u>23,250</u>	<u>26,290</u>	<u>3,040</u>
<b>Total Resources</b>	<u>812,187</u>	<u>880,965</u>	<u>818,312</u>	<u>(62,653)</u>
<b>Charges to Appropriations (Outflows)</b>				
Legislative				
Governing Body	69,050	84,575	66,182	18,393
General Government				
Manager	50,240	50,240	35,766	14,474
Buildings and Grounds	29,460	34,960	16,157	18,803
Public Safety				
Police	351,640	277,270	250,735	26,535
Public Works				
Street Lighting	37,740	37,740	30,548	7,192
Garage and Maintenance	192,360	151,960	133,292	18,668
Community and Economic Development				
Planning and Zoning	7,670	7,670	6,949	721
Redevelopment and Housing	5,500	5,500	1,779	3,721
Recreation and Culture				
Parks	38,050	38,550	17,301	21,249
Art's Commission	9,472	13,525	11,819	1,706
Other	3,005	3,005	4,225	(1,220)
Debt Service				
Principal	-	-	9,484	(9,484)
Interest	-	-	-	-
Capital Outlay	<u>18,000</u>	<u>263,000</u>	<u>236,197</u>	<u>26,803</u>
<b>Total Charges to Appropriations</b>	<u>812,187</u>	<u>967,995</u>	<u>820,434</u>	<u>147,561</u>

**VILLAGE OF LAKE ODESSA**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Continued)**  
**For the Year Ended February 29, 2020**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Excess of Resources Over (Under) Appropriations	<u>(12,477)</u>	<u>(104,285)</u>	<u>(2,122)</u>	<u>102,163</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Asset:	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>(2,500)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>(2,500)</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>(12,477)</u>	<u>(104,285)</u>	<u>378</u>	<u>104,663</u>
Budgetary Fund Balance - February 29, 2020	<u>\$ 712,364</u>	<u>\$ 620,556</u>	<u>\$ 725,219</u>	<u>\$ 104,663</u>

**VILLAGE OF LAKE ODESSA**  
**BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND**  
For the Year Ended February 29, 2020

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 388,749	\$ 388,749	\$ 388,749	\$ -
<b>Resources (Inflows)</b>				
State Grants	180,760	180,760	193,243	12,483
Interest and Rentals	1,300	1,300	3,489	2,189
Other Revenue	<u>-</u>	<u>35,000</u>	<u>35,851</u>	<u>851</u>
<b>Total Resources</b>	<u>182,060</u>	<u>217,060</u>	<u>232,583</u>	<u>15,523</u>
<b>Charges to Appropriations (Outflows)</b>				
Public Works				
Street Administration	5,600	5,600	4,005	1,595
Street Routine Maintenance	171,550	183,450	180,164	3,286
Street Winter Maintenance	<u>11,710</u>	<u>12,510</u>	<u>11,977</u>	<u>533</u>
<b>Total Charges to Appropriations</b>	<u>188,860</u>	<u>201,560</u>	<u>196,146</u>	<u>5,414</u>
<b>Excess of Resources Over (Under) Appropriations</b>	<u>(6,800)</u>	<u>15,500</u>	<u>36,437</u>	<u>20,937</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers (Out)	<u>(3,200)</u>	<u>(3,200)</u>	<u>-</u>	<u>3,200</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(3,200)</u>	<u>(3,200)</u>	<u>-</u>	<u>3,200</u>
<b>Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses</b>	<u>(10,000)</u>	<u>12,300</u>	<u>36,437</u>	<u>24,137</u>
<b>Budgetary Fund Balance - February 29, 2020</b>	<u>\$ 378,749</u>	<u>\$ 401,049</u>	<u>\$ 425,186</u>	<u>\$ 24,137</u>

**VILLAGE OF LAKE ODESSA**  
**BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND**  
**For the Year Ended February 29, 2020**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 337,769	\$ 337,769	\$ 337,769	\$ -
Resources (Inflows)				
State Grants	61,000	61,000	65,100	4,100
Interest and Rentals	<u>800</u>	<u>1,400</u>	<u>1,792</u>	<u>392</u>
Total Resources	<u>61,800</u>	<u>62,400</u>	<u>66,892</u>	<u>4,492</u>
Charges to Appropriations (Outflows)				
Public Works				
Street Administration	2,450	2,450	1,602	848
Street Routine Maintenance	27,350	27,350	25,113	2,237
Street Winter Maintenance	<u>11,710</u>	<u>12,210</u>	<u>8,471</u>	<u>3,739</u>
Total Charges to Appropriations	<u>41,510</u>	<u>42,010</u>	<u>35,186</u>	<u>6,824</u>
Excess of Resources Over (Under) Appropriations	<u>20,290</u>	<u>20,390</u>	<u>31,706</u>	<u>11,316</u>
Other Financing Sources (Uses)				
Operating Transfers In	<u>3,200</u>	<u>3,200</u>	-	<u>(3,200)</u>
Total Other Financing Sources (Uses)	<u>3,200</u>	<u>3,200</u>	-	<u>(3,200)</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>23,490</u>	<u>23,590</u>	<u>31,706</u>	<u>8,116</u>
Budgetary Fund Balance - February 29, 2020	<u>\$ 361,259</u>	<u>\$ 361,359</u>	<u>\$ 369,475</u>	<u>\$ 8,116</u>



**VILLAGE OF LAKE ODESSA**  
**BUDGETARY COMPARISON SCHEDULE - ROAD FUND**  
**For the Year Ended February 29, 2020**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 365,035	\$ 365,035	\$ 365,035	\$ -
<b>Resources (Inflows)</b>				
Taxes and Penalties	225,100	238,100	209,242	(28,858)
State Grants	-	-	14,349	14,349
Interest and Rentals	1,800	1,800	3,760	1,960
Other	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
<b>Total Resources</b>	<u>228,900</u>	<u>241,900</u>	<u>227,351</u>	<u>(14,549)</u>
<b>Charges to Appropriations (Outflows)</b>				
<b>Public Works</b>				
Street Administration	21,900	22,900	9,211	13,689
Street Routine Maintenance	24,500	24,700	30,362	(5,662)
Sidewalk Replacement	10,000	10,000	3,306	6,694
<b>Debt Service</b>				
Principal	99,800	99,800	99,800	-
Interest	<u>20,400</u>	<u>20,400</u>	<u>19,691</u>	<u>709</u>
<b>Total Charges to Appropriations</b>	<u>176,600</u>	<u>177,800</u>	<u>162,370</u>	<u>15,430</u>
<b>Excess of Resources Over (Under) Appropriations</b>	<u>52,300</u>	<u>64,100</u>	<u>64,981</u>	<u>881</u>
<b>Budgetary Fund Balance - February 29, 2020</b>	<u>\$ 417,335</u>	<u>\$ 429,135</u>	<u>\$ 430,016</u>	<u>\$ 881</u>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarial Determined Contributions*	\$ 13,412	\$ 11,309	\$ 15,554	\$ 12,353	\$ 7,383
Contributions in Relation to the Actuarially Determined Contribution	<u>13,412</u>	<u>11,309</u>	<u>15,554</u>	<u>12,353</u>	<u>7,383</u>
Contribution Deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 133,761	\$ 131,868	\$ 129,772	\$ 157,782	\$ 89,292
Contributions as a Percentage of Covered Employee Payroll	10%	9%	12%	8%	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>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total Pension Liability</b>			
Service Cost	\$ 22,512	\$ 21,982	\$ 24,799
Interest	35,428	34,009	26,016
Changes of Benefit Terms	-	-	(471)
Difference Between Expected and Actual Experience	2,497	(133)	69,344
Changes of Assumptions	17,391	-	-
Benefit Payments Including Employee Refunds	(31,493)	(28,292)	(3,671)
Other	1,865	1,097	839
<b>Net Change in Total Pension Liability</b>	<u>48,200</u>	<u>28,663</u>	<u>116,856</u>
<b>Total Pension Liability beginning</b>	<u>470,647</u>	<u>441,984</u>	<u>325,128</u>
<b>Total Pension Liability ending</b>	<u>\$ 518,847</u>	<u>\$ 470,647</u>	<u>\$ 441,984</u>
<b>Plan Fiduciary Net Position</b>			
Contributions-Employer	26,497	11,309	15,554
Contributions-Employee	-	11,303	15,942
Net Investment Income	52,326	(16,031)	46,481
Benefit Payments Including Employee Refunds	(31,493)	(28,292)	(3,671)
Administrative Expense	(902)	(792)	(731)
Other	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<u>46,428</u>	<u>(22,503)</u>	<u>73,575</u>
<b>Plan Fiduciary Net Position beginning</b>	<u>385,727</u>	<u>408,230</u>	<u>334,655</u>
<b>Plan Fiduciary Net Position ending</b>	<u>432,155</u>	<u>385,727</u>	<u>408,230</u>
<b>Employer Net Pension Liability (Asset)</b>	<u>\$ 86,692</u>	<u>\$ 84,920</u>	<u>\$ 33,754</u>
<b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	83%	82%	92%
<b>Covered Employee Payroll</b>	133,761	131,868	129,772
<b>Employer's Net Pension Liability as a percentage of covered employee payroll</b>	65%	64%	26%

**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 2019 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

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<b>Fiscal Year Ended December 31</b>	<b>Total Pension Liability</b>	<b>Plan Net Position</b>	<b>Net Pension Liability (Asset)</b>	<b>Plan Net Position as Percentage of Total Pension Liability (Asset)</b>	<b>Covered Payroll</b>	<b>Net Pension Liability as Percentage of Covered Payroll</b>
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	84,920	83%	133,761	65%

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 29, 2020**

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**ASSETS**

<u>Cash and Cash Equivalents</u>	\$ 37,807
Due From Other Funds	<u>12,940</u>
 Total Assets	 <u>50,747</u>

**LIABILITIES**

<u>Liabilities</u>	
Accounts Payable	<u>4,221</u>
 Total Liabilities	 <u>4,221</u>

**FUND BALANCE**

<u>Restricted</u>	<u>46,526</u>
 Total Fund Balance	 46,526

**Reconciliation of the Downtown Development Authority Balance Sheet  
to the Statement of Net Position:**

Long-Term liabilities are not due and payable in the current period and are not reported in the funds

Notes Payable	<u>-</u>
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Net Position of Downtown Development Authority	<u>\$ 46,526</u>
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**VILLAGE OF LAKE ODESSA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - DOWNTOWN DEVELOPMENT AUTHORITY**  
**For the Year Ended February 29, 2020**

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Revenues	
Taxes and Penalties	\$ 30,907
Interest and Rentals	67
Other Income	<u>940</u>
 Total Revenues	 <u>31,914</u>
 Expenditures	
Advertising	714
Dues and Subscriptions	25
Supplies	<u>12,365</u>
 Total Expenditures	 <u>13,104</u>
 Excess of Revenues Over (Under) Expenditures	  18,810
 Fund Balance-March 1, 2019	  <u>27,716</u>
 Fund Balance-February 29, 2020	  <u>\$ 46,526</u>
 <b>Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of the Downtown Development Authority to the Statement of Activities:</b>	
 <b>Net Change in Fund Balance - Downtown Development Authority</b>	 <b>\$ 18,810</b>
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>\$ 18,810</u>

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

To the Village Council  
Village of Lake Odessa, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Village of Lake Odessa, Michigan, as of and for the year ended February 29, 2020, 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 August 14, 2020.

**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.

2020-001 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.

Hastings, Michigan  
August 14, 2020

