

# STATE OF MICHIGAN

Gretchen Whitmer, Governor

## DEPARTMENT OF TREASURY

Rachael Eubanks, State Treasurer



Report on  
Financial Statements

**VILLAGE OF  
THREE OAKS**

**September 30, 2022**

VILLAGE OF THREE OAKS

VILLAGE COUNCIL

June 2, 2023

Richard Smith  
President

Lois Jones  
Council Member

John Kramer  
Council Member

Jason Niemzyk  
Council Member

Joe Hinman  
Council Member

Becky Thomas  
Council Member

Tyler Ream  
Council Member

Dan Faulkner  
Manager

Cynthia Moynihan  
Clerk

Theresa Schmaltz  
Treasurer

VILLAGE POPULATION--2020  
1,370

TAXABLE VALUATION--2022  
\$47,209,992



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

INDEPENDENT AUDITOR'S REPORT

June 2, 2023

Village Council  
Village of Three Oaks  
P.O. Box 335  
Three Oaks, Michigan 49128

Report on the Audit of the Financial Statements

*Opinions*

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Village of Three Oaks, Berrien County, Michigan, as of and for the fiscal year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Village of Three Oaks' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Village of Three Oaks, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Basis for Opinions*

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

*Change in Accounting Principle*

As discussed in Note L to the financial statements, in 2022 the Village adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

*Responsibilities of Management for the Financial Statements*

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

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

*Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village of Three Oaks' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Three Oaks' ability to continue as a going concern for a reasonable period of time.

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

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 9 and budgetary comparison information, Exhibits J through M, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Three Oaks' basic financial statements. The accompanying supplementary and related information presented in Exhibits N through Q, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary and related information presented in Exhibits N through Q 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 June 2, 2023, on our consideration of the Village of Three Oaks' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of Three Oaks' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Three Oaks' internal control over financial reporting and compliance.

Sincerely,



Cary Jay Vaughn, CPA, CGFM

Audit Manager

Community Engagement and Finance Division

VILLAGE OF THREE OAKS

TABLE OF CONTENTS

	<u>Page</u>
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	1
<u>BASIC FINANCIAL STATEMENTS</u>	
EXHIBIT A--Government-Wide Statement of Net Position .....	10
EXHIBIT B--Government-Wide Statement of Activities .....	11
EXHIBIT C--Balance Sheet--Governmental Funds and Reconciliation to State of Net Position.....	12
EXHIBIT D--Statement of Revenues, Expenditures and Changes in Fund Balances--Governmental Funds and Reconciliation to Statement of Activities .....	13
EXHIBIT E--Statement of Net Position – Proprietary Funds .....	14
EXHIBIT F--Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds .....	15
EXHIBIT G--Statement of Cash Flows--Proprietary Funds.....	16
EXHIBIT H--Statement of Net Position--Component Unit.....	17
EXHIBIT I--Statement of Activities--Component Unit .....	18
NOTES TO FINANCIAL STATEMENTS.....	19
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
EXHIBIT J--Budgetary Comparison Schedule--General Fund .....	36
EXHIBIT K--Budgetary Comparison Schedule--Major Street Major Special Revenue Fund .....	37
EXHIBIT L--Budgetary Comparison Schedule--Local Street Major Special Revenue Fund .....	38

VILLAGE OF THREE OAKS

TABLE OF CONTENTS  
(CONTINUED)

SUPPLEMENTARY INFORMATION AND SCHEDULES

	<u>Page</u>
EXHIBIT M--Budgetary Comparison Schedule--Municipal Street Major Special Revenue Fund .....	39
EXHIBIT N--Combining Balance Sheet--Non-Major Governmental Funds .....	40
EXHIBIT O--Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Non-Major Governmental Funds.....	41
EXHIBIT P--Schedule of Revenues and Other Financing Sources By Source--Budget and Actual--General Fund.....	42
EXHIBIT Q--Schedule of Expenditures By Activity Budget and Actual--General Fund.....	43
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	44
Report to Those Charged with Governance .....	46
Schedule of Findings and Responses.....	49



VILLAGE OF THREE OAKS--BERRIEN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2022

Our discussion and analysis of the Village of Three Oaks' financial performance provides an overview of the Village's financial activities for the fiscal year ending September 30, 2022.

USING THIS ANNUAL REPORT

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. This report also contains supplementary information in addition to the basic financial statements. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities on Exhibits A and B provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements start with Exhibit C. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide statements by providing information about the Village's most significant funds.

Reporting the Village as a Whole

*The Statement of Net Position and the Statement of Activities*

These statements include all assets and liabilities using accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Village's net position and changes in them. You can think of the Village's net position (the difference between assets and liabilities) as one way to measure the Village's financial health, or financial position. Over time, increases or decreases in the Village's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Village's property tax base and the condition of Village's infrastructure, to assess the overall health of the Village.

In the Statement of Net Position and the Statement of Activities we divide the Village into two kinds of activities:

- Governmental activities--Most of the Village's basic services are reported here, including the police, fire, public works and parks departments, and general administration. Property taxes, franchise fees, and state and federal grants finance most of these activities.
- Business-type activities--The Village charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Village's water and sewer systems are reported here.

VILLAGE OF THREE OAKS--BERRIEN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2022

Reporting the Village's Major Fund

*Fund Financial Statements*

Our analysis of the Village's major funds begins with Exhibits C and D with additional information provided in Note A of the Notes to the Financial Statements. Some funds are required to be established by state law such as the Major Street, Local Street, and Municipal Street Funds. The Village's two kinds of funds, governmental and proprietary, use different accounting approaches.

- *Governmental funds*—Most of the Village's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements or Exhibits C and D.
- *Proprietary funds*—When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Village's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

*Additional Required Supplementary Information (RSI)*

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes budgetary comparison schedules.

*Other Supplementary Information*

Other supplementary information includes combining financial statements for the non-major governmental funds in Exhibits N through Q. These exhibits provide the balance sheet and income statement for the individual funds that are combined into the non-major governmental column in Exhibits C and D. This also includes the General Fund Schedules of Revenues and Expenditures.

VILLAGE OF THREE OAKS--BERRIEN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2022

The Village as a Whole

The Village's combined net position increased from \$10,103,703 to \$10,583,512 or \$479,809 for the year ending September 30, 2022. This is like the previous year when the net position increased \$545,532. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the Village's governmental and business-type activities.

Table 1  
Net Position of Governmental and Business Type Activities

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2022	2021	2022	2021	2022
Current and Other Assets	\$ 2,749,283	\$ 3,194,624	\$ 1,693,340	\$ 1,962,446	\$ 4,442,623	\$ 5,157,070
Non-current Assets	2,208,957	2,067,275	8,454,406	8,167,358	10,663,363	10,234,633
<b>Total Assets</b>	<b>4,958,240</b>	<b>5,261,899</b>	<b>10,147,746</b>	<b>10,129,804</b>	<b>15,105,986</b>	<b>15,391,703</b>
Current Liabilities	133,496	198,540	42,279	57,263	175,775	255,803
Non-current Liabilities	12,508	5,388	4,814,000	4,547,000	4,826,508	4,552,388
<b>Total Liabilities</b>	<b>146,004</b>	<b>203,928</b>	<b>4,856,279</b>	<b>4,604,263</b>	<b>5,002,283</b>	<b>4,808,191</b>
<b>Net Position</b>						
Net Investment in						
Capital Assets	2,208,957	2,067,275	2,815,569	2,756,046	5,024,526	4,823,321
Restricted	974,658	1,164,847	824,837	826,287	1,799,495	1,991,134
Unrestricted	1,628,621	1,825,849	1,651,061	1,943,208	3,279,682	3,769,057
<b>Total Net Position</b>	<b>\$ 4,812,236</b>	<b>\$ 5,057,971</b>	<b>\$ 5,291,467</b>	<b>\$ 5,525,541</b>	<b>\$ 10,103,703</b>	<b>\$ 10,583,512</b>

VILLAGE OF THREE OAKS--BERRIEN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2022

The Village as a Whole (Continued)

The Village's governmental activities net position increased overall by 5% or \$245,735 (\$5,057,971 compared to \$4,812,236). The decreased net investment in capital assets resulted from the continued depreciation of the Village's assets. The restricted net position increased as street funds increased with the increase in the gas tax revenues and additional funding from the state for street projects. The unrestricted net position increased as the Village continues to monitor expenses to maintain a steady financial position.

The Village's business-type activities net position increased overall by 4% or \$234,074 (\$5,525,541 compared to \$5,291,467). The decrease in the net investment in capital assets was due to the continued depreciation on the sewer and water systems. The increase in the unrestricted net position is due to keeping expenses at a minimum as the Village prepares for its next major sewer and water projects.

VILLAGE OF THREE OAKS--BERRIEN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2022

The Village as a Whole (Continued)

Table 2  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2022	2021	2022	2021	2022
Program Revenue						
Charges for Services	\$ 207,227	\$ 170,954	\$ 1,146,305	\$ 1,161,092	\$ 1,353,532	\$ 1,332,046
Operating Grants and Contributions	283,001	279,932	-	43,870	283,001	323,802
General Revenue						
Property Taxes	619,550	639,926	-	-	619,550	639,926
State-Shared Revenues	195,597	201,097	-	-	195,597	201,097
Franchise Fees	17,469	17,333	-	-	17,469	17,333
Unrestricted Investment Earnings	8,017	7,643	5,760	6,114	13,777	13,757
Rents	14,967	14,391	-	-	14,967	14,391
Other	1,861	7,819	-	-	1,861	7,819
Insurance Recoveries	22,341	13,607	-	-	22,341	13,607
Gain/(Loss) on Disposal of Capital Assets	(23,511)	-	-	-	(23,511)	-
<b>Total Revenues</b>	<b>1,346,519</b>	<b>1,352,702</b>	<b>1,152,065</b>	<b>1,211,076</b>	<b>2,498,584</b>	<b>2,563,778</b>
Program Expenses						
General Government	171,664	194,410	-	-	171,664	194,410
Public Safety	340,674	344,164	-	-	340,674	344,164
Public Works	472,433	495,773	-	-	472,433	495,773
Community and Economic Development	35,612	19,358	-	-	35,612	19,358
Recreation and Cultural	62,756	53,262	-	-	62,756	53,262
Interest on Debt	733	-	-	-	733	-
Sewer	-	-	413,545	440,390	413,545	440,390
Water	-	-	455,635	536,612	455,635	536,612
<b>Total Expenses</b>	<b>1,083,872</b>	<b>1,106,967</b>	<b>869,180</b>	<b>977,002</b>	<b>1,953,052</b>	<b>2,083,969</b>
<b>Change in Net Position</b>	<b>\$ 262,647</b>	<b>\$ 245,735</b>	<b>\$ 282,885</b>	<b>\$ 234,074</b>	<b>\$ 545,532</b>	<b>\$ 479,809</b>

VILLAGE OF THREE OAKS--BERRIEN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2022

The Village as a Whole (Continued)

*Governmental Activities*

The revenues for the Village's governmental activities increased by .5% or \$6,183, while expenses increased by 2% or \$23,095. The increase in the revenues is due to a combination of a decrease in charges for services for marijuana permits offset by a 9% increase in the Village's taxable value. The primary increase in expenses is in general government due to litigation brought against the Village that was ruled in favor of the Village, public works increase with more time allocated toward governmental projects this year offset by a decrease in community and economic development after establishing the new marijuana enforcement and oversight policies and procedures last year.

*Business-Type Activities*

The revenues for the Village's business-type activities increased by 5% or \$59,011, while expenses increased by 12% or \$107,822. The charge for service revenues remained similar as there were no rate increases during the fiscal year. The Village did receive a Drinking Water Asset Management (DWAM) grant to assist in developing its water asset management plan of which \$43,870 was received during the fiscal year. The expenses increased relating to the costs incurred to administer the water asset management plan and additional engineering costs for the Administrative Consent Order from the Michigan Department of Environment, Great Lakes, and Energy for violations of the 2015 sewer discharge permit.

THE VILLAGE'S FUNDS

As the Village completed the year, its governmental fund (as presented in the balance sheet on Exhibit C) reported a fund balance of \$2,958,262 which is \$388,578 more than last year's \$2,569,684. The primary reasons for the governmental funds' increase are due to the increase in tax revenue, federal grants, and insurance recoveries mentioned previously.

GENERAL FUND BUDGETARY HIGHLIGHT

Over the course of the year, the Village's budget was monitored monthly to continuously evaluate the financial position of the Village. Adjustments were approved throughout the year to try and take into account the activities of the Village for the year. The largest adjustments in the General fund revenues were to account for the increased tax revenue, revenue sharing, and casino local revenue sharing funds while reducing the permit revenue for the decreased marijuana permits issued. The largest adjustments in the General fund expenses to general government, public safety, and public works from increased wages. General government expenses also increased from the turnover of the Treasurer's position, the lawsuit previously

VILLAGE OF THREE OAKS--BERRIEN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2022

mentioned. Adjustments were also made to the Major and Local Street funds to adjust expenses for actual routine and winter maintenance costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

*Capital Assets*

As of September 30, 2022, the Village had \$9,370,321 invested in a broad range of capital assets, including land, buildings, land improvements, vehicles, equipment, street and sidewalk infrastructure, and water and sewer infrastructure. This amount represents a net decrease (including additions and deductions) of \$468,205.

Table 3  
Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2022	2021	2022	2021	2022
	Land	\$ 275,914	\$ 275,914	\$ 54,517	\$ 54,517	\$ 330,431
Land Improvements	474,747	474,747	46,805	46,805	521,552	521,552
Buildings and Improvements	308,616	317,206	85,292	85,292	393,908	402,498
Equipment	116,153	116,153	183,603	194,454	299,756	310,607
Vehicles	243,998	243,998	54,154	61,442	298,152	305,440
Infrastructure	2,041,092	2,071,744	-	-	2,041,092	2,071,744
Sewer System	-	-	6,838,824	6,838,824	6,838,824	6,838,824
Water System	-	-	6,725,619	6,725,619	6,725,619	6,725,619
Total Capital Assets	3,460,520	3,499,762	13,988,814	14,006,953	17,449,334	17,506,715
Total Accumulated Depreciation	(1,251,563)	(1,432,487)	(6,359,245)	(6,703,907)	(7,610,808)	(8,136,394)
Total Net Capital Assets	<u>\$ 2,208,957</u>	<u>\$ 2,067,275</u>	<u>\$ 7,629,569</u>	<u>\$ 7,303,046</u>	<u>\$ 9,838,526</u>	<u>\$ 9,370,321</u>

VILLAGE OF THREE OAKS--BERRIEN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

This year's major capital asset additions included the following:

Police Building	\$ 8,590
Michigan Street Infrastructure	30,651
Sewer/Water Equipment	8,564
Sewer/Water Vehicle	<u>9,575</u>
Total Additions	<u>\$ 57,380</u>

The Village's fiscal year 2022 capital budget calls for continued improvement to the Village's streets and sidewalk systems. The Village has no plans to issue additional debt to finance these projects. More detailed information about the Village's capital assets is presented in Note G to the financial statements.

Debt

At year-end, the Village had \$4,547,000 in bonds and notes outstanding versus \$4,814,000 last year, a net decrease of \$267,000, as shown in Table 4. The decrease is due to the continuing payment on the Village's debt.

Table 4  
Outstanding Debt at Year-End

	<u>Business-Type Activities</u>	
	<u>2021</u>	<u>2022</u>
Bonds Payable	<u>\$ 4,814,000</u>	<u>\$ 4,547,000</u>
Total	<u>\$ 4,814,000</u>	<u>\$ 4,547,000</u>

More detailed information about the Village's long-term debt is presented in Note H to the financial statements.



VILLAGE OF THREE OAKS--BERRIEN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2022

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Village's budget for 2022/2023 has been designed to continue to address the Village's infrastructure. More street projects are planned for the upcoming fiscal year and more funds will be set aside for these projects along with other capital improvement needs.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village of Three Oaks finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village's office at: P.O. Box 335, Three Oaks, Michigan 49128, telephone number 269-756-9221.

VILLAGE OF THREE OAKS--BERRIEN COUNTY  
 GOVERNMENT-WIDE STATEMENT OF NET POSITION  
 September 30, 2022

EXHIBIT A

	PRIMARY GOVERNMENT			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<u>ASSETS</u>				
Current Assets				
Cash and Cash Equivalents	\$ 3,077,833	\$ 1,913,196	\$ 4,991,029	\$ 134,597
Receivables (Net)				
Taxes--Delinquent	42,733	-	42,733	-
Special Assessments--Delinquent	6,708	-	6,708	-
Accounts	4,141	24,756	28,897	-
Due From State	44,693	34,897	79,590	-
Due From Other Funds--Component Unit	245	-	245	-
Internal Balances	10,403	(10,403)	-	-
Inventory	7,868	-	7,868	-
<b>Total Current Assets</b>	<b>3,194,624</b>	<b>1,962,446</b>	<b>5,157,070</b>	<b>134,597</b>
Non-Current Assets				
Restricted Cash	-	826,287	826,287	-
Capital Assets--Net of Accumulated Depreciation	1,791,361	7,248,529	9,039,890	-
Capital Assets--Non-Depreciating	275,914	54,517	330,431	-
Lease Receivable	-	38,025	38,025	-
<b>Total Non-Current Assets</b>	<b>2,067,275</b>	<b>8,167,358</b>	<b>10,234,633</b>	<b>-</b>
<b>Total Assets</b>	<b>5,261,899</b>	<b>10,129,804</b>	<b>15,391,703</b>	<b>134,597</b>
<u>LIABILITIES</u>				
Current Liabilities				
Accounts Payable	31,993	57,263	89,256	5,337
Due To Other Funds--Primary Government	-	-	-	245
Accrued Liabilities	2,284	-	2,284	-
Escrow Payable	2,226	-	2,226	-
Unearned Revenue	162,037	-	162,037	-
<b>Total Current Liabilities</b>	<b>198,540</b>	<b>57,263</b>	<b>255,803</b>	<b>5,582</b>
Long-Term Liabilities				
Vested Employee Benefits				
Due Within One Year	4,041	-	4,041	-
Due in More Than One Year	1,347	-	1,347	-
Bonds Payable				
Due Within One Year	-	130,000	130,000	-
Due in More Than One Year	-	4,417,000	4,417,000	-
<b>Total Long-Term Liabilities</b>	<b>5,388</b>	<b>4,547,000</b>	<b>4,552,388</b>	<b>-</b>
<b>Total Liabilities</b>	<b>203,928</b>	<b>4,604,263</b>	<b>4,808,191</b>	<b>5,582</b>
<u>NET POSITION</u>				
Net Investment in Capital Assets	2,067,275	2,756,046	4,823,321	-
Restricted for				
PA 302 Funds	1,152	-	1,152	-
Major Street	409,689	-	409,689	-
Local Street	69,380	-	69,380	-
Municipal Street	512,377	-	512,377	-
Non-Major Governmental	172,249	-	172,249	-
Downtown Development Authority	-	-	-	129,015
Debt Service	-	826,287	826,287	-
Unrestricted	1,825,849	1,943,208	3,769,057	-
<b>Total Net Position</b>	<b>\$ 5,057,971</b>	<b>\$ 5,525,541</b>	<b>\$ 10,583,512</b>	<b>\$ 129,015</b>

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

VILLAGE OF THREE OAKS--BERRIEN COUNTY  
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
 For the Fiscal Year Ended September 30, 2022

EXHIBIT B

Functions/Programs	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION						Component Unit
	PROGRAM REVENUES			PRIMARY GOVERNMENT			
	Expenses	Operating	Operating	Governmental	Business-Type	Total	
	Charges for	Grants and	Activities	Activities			
	Services	Contributions					
Primary Government							
Governmental Activities							
General Government	\$ 194,410	\$ 10,508	\$ 76,713	\$ (107,189)	\$ -	\$ (107,189)	\$ -
Public Safety	344,164	157,346	8,487	(178,331)	-	(178,331)	-
Public Works	495,773	-	194,732	(301,041)	-	(301,041)	-
Community and Economic Development	19,358	1,800	-	(17,558)	-	(17,558)	-
Recreation and Culture	53,262	1,300	-	(51,962)	-	(51,962)	-
Interest Expense	-	-	-	-	-	-	-
Total Governmental Activities	1,106,967	170,954	279,932	(656,081)	-	(656,081)	-
Business-Type Activities							
Sewer	440,390	607,787	-	-	167,397	167,397	-
Water	536,612	553,305	43,870	-	60,563	60,563	-
Total Business-Type Activities	977,002	1,161,092	43,870	-	227,960	227,960	-
Total Primary Government	\$ 2,083,969	\$ 1,332,046	\$ 323,802	(656,081)	227,960	(428,121)	-
Component Units							
Downtown Development Authority	\$ 33,598	\$ 18,050	\$ -	-	-	-	(15,548)
Total Component Units	\$ 33,598	\$ 18,050	\$ -	-	-	-	(15,548)
General Revenues							
Property Taxes				639,926	-	639,926	46,335
State-Shared Revenues				201,097	-	201,097	-
Franchise Fees				17,333	-	17,333	-
Unrestricted Investment Earnings				7,643	6,114	13,757	-
Rents				14,391	-	14,391	-
Other Revenues				7,819	-	7,819	-
Insurance Recoveries				13,607	-	13,607	-
Total General Revenues				901,816	6,114	907,930	46,335
Change in Net Position				245,735	234,074	479,809	30,787
Net Position--Beginning				4,812,236	5,243,072	10,055,308	98,228
Restatement to Net Position--Beginning (Note M)				-	48,395	48,395	-
Restated Net Position--Beginning				4,812,236	5,291,467	10,103,703	98,228
Net Position--Ending				\$ 5,057,971	\$ 5,525,541	\$ 10,583,512	\$ 129,015

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

VILLAGE OF THREE OAKS--BERRIEN COUNTY  
 BALANCE SHEET-- GOVERNMENTAL FUNDS AND  
 RECONCILIATION TO STATEMENT OF NET POSITION  
 September 30, 2022

EXHIBIT C

	MAJOR FUNDS					Total Governmental Funds
	General	Major Street	Local Street	Municipal Street	Nonmajor Funds	
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 2,206,448	\$ 390,159	\$ 68,533	\$ 327,885	\$ 84,808	\$ 3,077,833
Receivables						
Taxes--Delinquent	30,645	-	-	12,088	-	42,733
Special Assessments--Delinquent	-	-	-	-	6,708	6,708
Accounts	4,141	-	-	-	-	4,141
Due From State	12,529	21,645	10,519	-	-	44,693
Due From Other Funds--Primary Government	13,743	7,049	99	164,536	100,343	285,770
Due From Component Unit	245	-	-	-	-	245
Inventory	-	-	-	7,868	-	7,868
<b>Total Assets</b>	<b>\$ 2,267,751</b>	<b>\$ 418,853</b>	<b>\$ 79,151</b>	<b>\$ 512,377</b>	<b>\$ 191,859</b>	<b>\$ 3,469,991</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 13,149	\$ 2,091	\$ 517	\$ -	\$ 16,236	\$ 31,993
Due to Other Funds--Primary Government	255,666	7,073	9,254	-	3,374	275,367
Accrued Liabilities	2,284	-	-	-	-	2,284
Escrows Payable	2,226	-	-	-	-	2,226
Unearned Revenue	162,037	-	-	-	-	162,037
<b>Total Liabilities</b>	<b>435,362</b>	<b>9,164</b>	<b>9,771</b>	<b>-</b>	<b>19,610</b>	<b>473,907</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue	23,767	-	-	9,375	4,680	37,822
<b>Fund Balances</b>						
Non-Spendable	-	-	-	7,868	-	7,868
Restricted for						
PA 302 Funds	1,152	-	-	-	-	1,152
Major Street	-	409,689	-	-	-	409,689
Local Street	-	-	69,380	-	-	69,380
Municipal Street	-	-	-	495,134	-	495,134
Non-Major Governmental	-	-	-	-	167,569	167,569
Assigned for						
Vehicle Replacement	262,333	-	-	-	-	262,333
Unassigned	1,545,137	-	-	-	-	1,545,137
<b>Total Fund Balances</b>	<b>1,808,622</b>	<b>409,689</b>	<b>69,380</b>	<b>503,002</b>	<b>167,569</b>	<b>2,958,262</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 2,267,751</b>	<b>\$ 418,853</b>	<b>\$ 79,151</b>	<b>\$ 512,377</b>	<b>\$ 191,859</b>	<b>\$ 3,469,991</b>
Fund Balances--Total Governmental Funds						\$ 2,958,262
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						2,067,275
Revenues that do not provide current financial resources are not reported as revenue in the funds--delinquent property taxes.						37,822
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as financial resources; therefore, they are not reported as fund liabilities.						(5,388)
<b>Net Position of Governmental Activities</b>						<b>\$ 5,057,971</b>

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

VILLAGE OF THREE OAKS--BERRIEN COUNTY  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS  
AND RECONCILIATION TO STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended September 30, 2022

EXHIBIT D

	MAJOR FUNDS					Total Governmental Funds
	General	Major Street	Local Street	Municipal Street	Non-Major Funds	
<b>Revenues</b>						
Property Taxes	\$ 389,813	\$ -	\$ -	\$ 153,346	\$ -	\$ 543,159
Special Assessments	-	-	-	-	105,047	105,047
Licenses and Permits	27,933	-	-	-	61,122	89,055
State Grants	204,113	129,496	62,931	-	-	396,540
Contributions From Local Units	5,320	-	-	-	-	5,320
Charges for Services	98,587	-	-	-	-	98,587
Fines and Forfeits	645	-	-	-	-	645
Interest and Rentals	65,007	937	103	1,018	398	67,463
Other Revenue	84,532	-	-	-	-	84,532
<b>Total Revenues</b>	<b>875,950</b>	<b>130,433</b>	<b>63,034</b>	<b>154,364</b>	<b>166,567</b>	<b>1,390,348</b>
<b>Expenditures</b>						
Current						
General Government	187,773	-	-	-	-	187,773
Public Safety	270,021	-	-	-	50,061	320,082
Public Works	180,732	66,741	60,066	16,128	95,971	419,638
Community and Economic Development	19,358	-	-	-	-	19,358
Recreation and Cultural	29,285	-	-	-	-	29,285
Capital Outlay	8,590	-	30,651	-	-	39,241
<b>Total Expenditures</b>	<b>695,759</b>	<b>66,741</b>	<b>90,717</b>	<b>16,128</b>	<b>146,032</b>	<b>1,015,377</b>
Excess of Revenues Over (Under) Expenditures	180,191	63,692	(27,683)	138,236	20,535	374,971
Other Financing Sources (Uses)						
Insurance Recoveries	13,607	-	-	-	-	13,607
Interfund Transfers In	-	-	70,000	-	-	70,000
Interfund Transfers (Out)	-	-	-	(70,000)	-	(70,000)
<b>Total Other Financing Sources (Uses)</b>	<b>13,607</b>	<b>-</b>	<b>70,000</b>	<b>(70,000)</b>	<b>-</b>	<b>13,607</b>
<b>Net Change in Fund Balances</b>	<b>193,798</b>	<b>63,692</b>	<b>42,317</b>	<b>68,236</b>	<b>20,535</b>	<b>388,578</b>
Fund Balance--Beginning	1,614,824	345,997	27,063	434,766	147,034	2,569,684
Fund Balance--Ending	\$ 1,808,622	\$ 409,689	\$ 69,380	\$ 503,002	\$ 167,569	\$ 2,958,262
<b>Net Change in Fund Balances--Total Governmental Funds</b>						<b>\$ 388,578</b>
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense						
Add--Capital Outlay						39,241
Deduct--Depreciation Expense						(180,924)
Net increase (decrease) in revenue between the current year delinquent taxes and the prior year delinquent taxes collected during the prior year.						(8,280)
Change in vested employee benefits for compensated absences are reported in the Statement of Activities but do not required the use of current financial resources and, therefore, are not reported as expenditures in the funds:						7,120
Change in Net Position of Governmental Activities						\$ 245,735

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

VILLAGE OF THREE OAKS--BERRIEN COUNTY  
STATEMENT OF NET POSITION--  
PROPRIETARY FUNDS  
September 30, 2022

EXHIBIT E

	ENTERPRISE FUNDS		Total Enterprise Funds
	Major Funds		
	Sewer	Water	
<u>ASSETS</u>			
Current Assets			
Cash and Cash Equivalents	\$ 967,359	\$ 945,837	\$ 1,913,196
Accounts Receivable	14,198	10,558	24,756
Due From State	-	34,897	34,897
Due From Other Funds	-	149,931	149,931
Total Current Assets	<u>981,557</u>	<u>1,141,223</u>	<u>2,122,780</u>
Non-Current Assets			
Restricted Cash	409,900	416,387	826,287
Capital Assets--Net of Accumulated Depreciation	2,791,897	4,456,632	7,248,529
Capital Assets--Non-Depreciating	30,017	24,500	54,517
Lease Receivable	-	38,025	38,025
Total Non-Current Assets	<u>3,231,814</u>	<u>4,935,544</u>	<u>8,167,358</u>
Total Assets	<u>4,213,371</u>	<u>6,076,767</u>	<u>10,290,138</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	29,139	28,124	57,263
Due to Other Funds	154,929	5,405	160,334
Total Current Liabilities	<u>184,068</u>	<u>33,529</u>	<u>217,597</u>
Non-Current Liabilities			
Bonds Payable--Due Within One Year	27,000	103,000	130,000
Bonds Payable--Due in More Than One Year	764,000	3,653,000	4,417,000
Total Non-Current Liabilities	<u>791,000</u>	<u>3,756,000</u>	<u>4,547,000</u>
Total Liabilities	<u>975,068</u>	<u>3,789,529</u>	<u>4,764,597</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	2,030,914	725,132	2,756,046
Restricted	409,900	416,387	826,287
Unrestricted	797,489	1,145,719	1,943,208
Total Net Position	<u>\$ 3,238,303</u>	<u>\$ 2,287,238</u>	<u>\$ 5,525,541</u>

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

VILLAGE OF THREE OAKS--BERRIEN COUNTY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION--PROPRIETARY FUNDS  
For the Fiscal Year Ended September 30, 2022

EXHIBIT F

	ENTERPRISE FUNDS		Total Enterprise Funds
	Major Funds		
	Sewer	Water	
Operating Revenues			
Charges for Services	\$ 607,787	\$ 553,305	\$ 1,161,092
Total Operating Revenues	607,787	553,305	1,161,092
Operating Expenses			
Wages and Fringes	73,470	86,394	159,864
Operating Expenses	34,213	52,753	86,966
Repairs and Maintenance	5,917	5,802	11,719
Contracted Services	109,533	66,517	176,050
Utilities	14,252	21,525	35,777
Insurance	2,445	5,112	7,557
Depreciation	162,107	182,555	344,662
Total Operating Expenses	401,937	420,658	822,595
Operating Income (Loss)	205,850	132,647	338,497
Non-Operating Revenues (Expenses)			
State Grants	-	43,870	43,870
Interest Earned on Investments	3,331	2,783	6,114
Interest Expense	(38,453)	(115,954)	(154,407)
Total Non-Operating Revenues (Expenses)	(35,122)	(69,301)	(104,423)
Change in Net Position	170,728	63,346	234,074
Total Net Position--Beginning	3,067,575	2,175,497	5,243,072
Restatement to Net Position--Beginning (Note M)	-	48,395	48,395
Restated Net Position--Beginning	3,067,575	2,223,892	5,291,467
Total Net Position--Ending	\$ 3,238,303	\$ 2,287,238	\$ 5,525,541

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

VILLAGE OF THREE OAKS--BERRIEN COUNTY  
STATEMENT OF CASH FLOWS--  
PROPRIETARY FUNDS  
For the Fiscal Year Ended September 30, 2022

EXHIBIT G

	ENTERPRISE FUNDS		Total Enterprise Funds
	Major Funds		
	Sewer	Water	
Cash Flows From Operating Activities			
Cash Received From Customers	\$ 614,746	\$ 568,012	\$ 1,182,758
Cash Payments to Employees for Services and Benefits	(73,470)	(86,394)	(159,864)
Cash Payments to Suppliers for Goods and Services	(160,451)	(142,634)	(303,085)
Net Cash Provided by Operating Activities	380,825	338,984	719,809
Cash Flows From Non-Operating Activities			
Due To/From Other Funds	152,212	(139,014)	13,198
Net Cash Flows From Non-Operating Activities	152,212	(139,014)	13,198
Cash Flows From Capital and Related Financing Activities			
State Grants	-	8,973	8,973
Acquisition of Capital Assets	(8,564)	(9,575)	(18,139)
Reduction of Debt	(161,000)	(106,000)	(267,000)
Interest Paid on Bonds	(38,453)	(115,954)	(154,407)
Net Cash Provided by Capital and Related Financing Activities	(208,017)	(222,556)	(430,573)
Cash Flows From Investing Activities			
Interest on Cash Equivalents	3,331	2,783	6,114
Net Cash Provided by Investing Activities	3,331	2,783	6,114
Net Increase (Decrease) in Cash and Cash Equivalents	328,351	(19,803)	308,548
Cash and Cash Equivalents at Beginning of Year	1,048,908	1,382,027	2,430,935
Cash and Cash Equivalents at End of Year	\$ 1,377,259	\$ 1,362,224	\$ 2,739,483
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 205,850	\$ 132,647	\$ 338,497
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	162,107	182,555	344,662
(Increase) Decrease in Accounts Receivable	6,959	14,707	21,666
Increase (Decrease) in Accounts Payable	5,909	9,075	14,984
Net Cash Provided by Operating Activities	\$ 380,825	\$ 338,984	\$ 719,809

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



VILLAGE OF THREE OAKS--BERRIEN COUNTY  
 STATEMENT OF NET POSITION--  
 COMPONENT UNIT  
 September 30, 2022

EXHIBIT H

	<u>Downtown Development Authority</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 134,597
Total Assets	<u>134,597</u>
<u>LIABILITIES</u>	
Accounts Payable	5,337
Due To Other Funds--Primary Government	<u>245</u>
Total Liabilities	<u>5,582</u>
<u>NET POSITION</u>	
Restricted	<u>129,015</u>
Total Net Position	<u>\$ 129,015</u>

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

VILLAGE OF THREE OAKS--BERRIEN COUNTY  
STATEMENT OF ACTIVITIES--  
COMPONENT UNIT  
For the Fiscal Year Ended September 30, 2022

EXHIBIT I

	<u>Downtown Development Authority</u>
Program Expenses	
Public Works	<u>\$ 33,598</u>
Total Program Expenses	<u>33,598</u>
Operating Grants and Contributions	
Contributions	<u>18,050</u>
Total Program Revenue	<u>18,050</u>
Net Program Revenue	<u>(15,548)</u>
General Revenue	
Taxes	<u>46,335</u>
Total General Revenue	<u>46,335</u>
Change in Net Position	<u>30,787</u>
Net Position	
Beginning of Year	<u>98,228</u>
End of Year	<u><u>\$ 129,015</u></u>

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

## VILLAGE OF THREE OAKS

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2022

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Three Oaks 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:

##### Reporting Entity

The Village of Three Oaks is located in Berrien County and provides services to its 1,370 residents in many areas including: public safety (police), public works, and general government. The Village is a general law Village incorporated under Public Act 3 of 1895. The Village is governed by a seven-member council, including a president elected by the citizens of the Village.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria established by Government Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the data was not included. The component unit total is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description of each component unit).

##### DISCRETELY PRESENTED COMPONENT UNIT

The following component unit is reported within the "component unit" column in the combined financial statements. The discretely presented component unit is an entity that is legally separate from the Village, but for which the Village is financially accountable or its relationship with the Village is such that exclusion would cause the financial statements to be misleading or incomplete.

##### Downtown Development Authority

The Downtown Development Authority (DDA) exists to encourage economic development in the downtown area of the Village. The governing body of the component unit is appointed by the Village Council. The component unit maintains a General fund as its sole operating fund. Separate financial statements of the individual component unit have not been issued as management believes these general-purpose financial statements, including disclosures, contain complete information to constitute a fair presentation of the component unit.

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2022

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation--Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and inter-governmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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 when it is both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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, claims, and judgments are recorded only when payment is due.

## VILLAGE OF THREE OAKS

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2022

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, inter-governmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

- The General fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Major Street fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets.
- The Local Street fund accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.
- The Municipal Street fund accounts for the extra voted millage restricted for use on both the major and local streets.

The Village reports the following major proprietary funds:

- The Sewer fund accounts for the sewer operations of the Village.
- The Water fund accounts for the water operations of the Village.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer fund and Water fund relate to charges to customers

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2022

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

for sales and services. The Sewer fund and Water fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and material to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating 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 revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Cash Equivalents

The cash and cash equivalents are cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

Inter-fund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "inter-fund receivables/payables" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statements as "internal balances."

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000. Such assets are recorded at 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's lives are not capitalized.

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

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2022

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
Land Improvements	10 to 40 years	
Building and Building Improvements	15 to 40 years	
Vehicles	3 to 10 years	
Equipment	3 to 10 years	
Sewer System		50 years
Water System		40 years

Deferred Inflows of Resources--Unavailable Revenue

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received but not yet earned. Deferred inflows of resources are reported related to the property taxes not collected within 60 days of fiscal year end.

Long-Term Obligations

In the government-wide financial statements and proprietary fund type statements, the 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. 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences (Vacation Leave)

It is the Village's policy to permit all qualifying employees to accumulate earned vacation pay benefits. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for the amount is reported in the governmental funds for employee terminations as of year-end.

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 the following: assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2022

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Financing Sources (Uses)

Transfers of cash between the various Village funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

Fund Balance Classifications

In the fund financial statements, governmental funds report the following components of fund balance which comprise a hierarchy based on the extent to which the Village is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Non-spendable Fund Balances

Non-spendable fund balances include amounts in governmental funds to designate amounts which are not available for spending or are legally or contractually required to be maintained. The non-spendable amount reported in the Municipal Street fund is related to inventory.

Restricted Fund Balances

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by Constitution, external resource providers, or through enabling legislation.

The Village of Three Oaks reports the following restricted fund balances.

Special Revenue Funds

- Major Street Fund - The Major Street fund is used in the Village to account for the maintenance and construction of the Village's major street system. The fund is used to account for the receipt and expenditure of state motor fuel taxes which are earmarked by law, Public Act (PA) 51 of 1951, for major street and highway purposes, federal aid for major street purposes, and general fund appropriations.
- Local Street Fund - The Local Street fund is used in the Village to account for the maintenance and construction of the Village's local street system. The fund is used to account for the receipt and expenditure of state motor fuel taxes which are earmarked by law, PA 51 of 1951, for local street and highway purposes, federal aid for local street purposes, and general fund appropriations.



## VILLAGE OF THREE OAKS

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2022

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Municipal Street Fund - This fund is used to account for revenues received from the extra voted millage levied for the purpose of street improvements.
- Rubbish Fund - This fund is used to account for revenues received from special assessments for the purpose of trash collection.
- Building Department Fund - This fund is used to account for revenues for building permits.
- Drug Forfeiture Fund - This fund is used to account for revenues received from drug forfeitures.

The purpose of the component unit's restricted fund balances and revenue sources are listed below:

- DDA - This fund is used to account for the taxes captured by the DDA to administer the activities authorized under the Downtown Development Authority Act.

#### Assigned Fund Balance

Assigned fund balance is an amount that is intended to be used for specific purposes that are neither considered restricted or committed. The \$262,333 assigned fund balance in the General fund has been assigned by the Council for future vehicle purchases.

#### Unassigned Fund Balance

Unassigned fund balance is the residual classification for the Village's General fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Village Council. The Village Council has established a minimum fund balance policy that requires the Village to maintain an unassigned General fund balance equal to 30% of core revenue and an additional 10% to be used for grant matches and future leveraging opportunities.

#### NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

##### Budgetary Information

Budgets are adopted by the Village Council for the General fund and Special Revenue funds after a public hearing is held. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget is adopted at the activity level and control is exercised at the activity level. The Village Council monitors and amends the budgets as necessary. Unexpended appropriations lapse at year end.

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2022

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Excess of Expenditures over Appropriation in Budgeted Funds

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for General and Special Revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

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

Fund, Function and Activity	<u>Budget</u>	<u>Actual</u>	<u>Excess Expenditures</u>
General Fund			
General Government			
Accounting Fees	\$ 5,000	\$ 5,175	\$ (175)

NOTE C--DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit 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 five banks and credit unions for the deposit of Village funds. The investment policy adopted by the Village Council in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The Village's deposits and investment policy are in accordance with statutory authority.

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

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2022

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Cash and Cash Equivalents	\$ 3,077,833	\$ 1,913,196	\$ 4,991,029	\$ 134,597
Restricted Cash	-	826,287	826,287	-
Total	<u>\$ 3,077,833</u>	<u>\$ 2,739,483</u>	<u>\$ 5,817,316</u>	<u>\$ 134,597</u>

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Village's deposits may not be recovered. The Village does not have a deposit policy for custodial credit risk. The bank balance of the Village's deposits is \$5,803,541, of which \$1,760,833 is covered by Federal depository and NCUA insurance. The remaining \$4,042,708 is uncollateralized. The bank balance of the component unit's deposits is \$134,597, of which all is covered by FDIC insurance. The Village also maintains \$300 in imprest cash.

Restricted Assets

In accordance with Village ordinances, separate bank accounts have been established to create reserved cash balances for the funding of sewer and water bond payments and sewer and water repair, replacement, and improvement to the individual systems. As of September 30, 2022, the reserve cash balances are \$409,900 and \$416,387 in the Sewer and Water funds, respectively.

NOTE D--PROPERTY TAXES

The Village's 2022 ad valorem tax was levied and collectible on July 1, 2022. It is the Village's policy to recognize revenues from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing operations. Property taxes are recognized when received. The 2022 State taxable valuation amounted to \$47,209,992, on which ad valorem taxes levied for all Village purposes were \$543,159. There were 8.3519 mills for general operations and 3.3406 mills for street improvements. These taxes were recognized in the respective General and Municipal Street funds.

Uncollected real property taxes, which become delinquent October 1, are purchased by Berrien County, and paid to the Village in May of the subsequent year. The delinquent taxes at September 30 are recorded as delinquent taxes receivable and are offset by unavailable revenue.

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2022

NOTE E--RECEIVABLES

Accounts Receivable

Accounts receivables are recorded in the Sewer and Water funds based on the sewer and water services provided by the Village. The receivables do not have an allowance for doubtful accounts because any receivables not collected are placed on the customer's tax bill. The receivable for the Sewer fund is \$14,198 and the receivable for the Water fund is \$10,558.

The General fund has a receivable of \$4,141 for a franchise fee due from the local cable company on September 30, 2022.

Taxes/Special Assessment Receivable--Delinquent

The delinquent taxes receivable in the General fund and Municipal Street fund along with the delinquent special assessments, receivable in the Rubbish fund on September 30, 2022, consist of uncollected real property taxes and special assessments levied July 1, 2022, which had not been collected by November 30, 2022. The delinquent property taxes for the General and Municipal Street funds are \$30,645 and \$12,088, respectively, and the delinquent special assessments for the Rubbish fund are \$6,708. The amount not collected within 60 days is offset by unavailable revenue of \$23,767 for the General fund, \$9,375 for the Municipal Street fund, and \$4,680 in the Rubbish fund in the governmental fund financial statements.

Lease Receivable

The Village has a lease agreement for a cell phone tower recorded in the Water Fund. The lease commenced in 1996 and automatically renews in 5-year terms until the lessee notifies the lessor in writing of the lessee's intention not to extend the agreement at least 60 days prior to the expiration of any term. It is the Village's intent to exercise all renewals. Every three years, payments will be adjusted in proportion to the cumulative change in the latest published Consumer Price Index. The Village collected \$10,370 from the lessee for the year ended September 30, 2022, and reports a remaining lease receivable balance of \$38,025.

NOTE F--INTERFUND TRANSFERS/RECEIVABLES AND PAYABLES

The transfers for the primary government are as follows:

	<u>Transfer In</u>
<u>Transfer Out</u>	<u>Local Street</u>
Municipal Street	\$ 70,000
Total Government	<u>\$ 70,000</u>

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2022

NOTE F--INTERFUND TRANSFERS/RECEIVABLES AND PAYABLES (Continued)

Interfund transfers are used to transfer revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

The interfund receivables and payables for the Village are as follows:

	Due to Other Funds						Total
	General Fund	Major Street	Local Street	Nonmajor Governmental	Sewer	Water	
Due From Other Funds							
General Fund	\$ -	\$ -	\$ -	\$ 2,232	\$ 6,106	\$ 5,405	\$ 13,743
Major Street Fund	29	-	7,020	-	-	-	7,049
Local Street Fund	99	-	-	-	-	-	99
Municipal Street Fund	155,195	7,073	2,234	34	-	-	164,536
Nonmajor Governmental	100,343	-	-	-	-	-	100,343
Water Fund	-	-	-	1,108	148,823	-	149,931
Total	<u>\$ 255,666</u>	<u>\$ 7,073</u>	<u>\$ 9,254</u>	<u>\$ 3,374</u>	<u>\$ 154,929</u>	<u>\$ 5,405</u>	<u>\$ 435,701</u>

The interfund balances between funds are for amounts deposited/expended from funds waiting to be transferred to the correct funds. The interfund balance between General fund and DDA are also for money deposited/expended from the general fund waiting to be transferred from the DDA. The DDA has an interfund payable to the General Fund in the amount of \$245.

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2022

NOTE G--CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balances</u>
Capital Assets Not Being Depreciated				
Land	<u>\$ 275,914</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 275,914</u>
Total	<u>275,914</u>	<u>-</u>	<u>-</u>	<u>275,914</u>
Capital Assets Being Depreciated				
Land Improvements	474,747	-	-	474,747
Buildings and Building Improvements	308,616	8,590	-	317,206
Equipment	116,153	-	-	116,153
Vehicles	243,998	-	-	243,998
Infrastructure--Roads	<u>2,041,092</u>	<u>30,652</u>	<u>-</u>	<u>2,071,744</u>
Total	<u>3,184,606</u>	<u>39,242</u>	<u>-</u>	<u>3,223,848</u>
Less Accumulated Depreciation				
Land Improvements	106,584	22,937	-	129,521
Buildings and Building Improvements	252,139	9,931	-	262,070
Equipment	68,602	13,728	-	82,330
Vehicles	111,611	33,733	-	145,344
Infrastructure--Roads	<u>712,627</u>	<u>100,595</u>	<u>-</u>	<u>813,222</u>
Total	<u>1,251,563</u>	<u>180,924</u>	<u>-</u>	<u>1,432,487</u>
Net Capital Assets Being Depreciated	<u>1,933,043</u>	<u>(141,682)</u>	<u>-</u>	<u>1,791,361</u>
Governmental Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 2,208,957</u>	<u>\$ (141,682)</u>	<u>\$ -</u>	<u>\$ 2,067,275</u>

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2022

NOTE G--CAPITAL ASSETS (Continued)

<u>Business-Type Activities</u>	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balances</u>
Capital Assets Not Being Depreciated				
Land	\$ 54,517	\$ -	\$ -	\$ 54,517
Subtotal	<u>54,517</u>	<u>-</u>	<u>-</u>	<u>54,517</u>
Capital Assets Being Depreciated				
Land Improvements	46,805	-	-	46,805
Buildings and Improvements	85,292	-	-	85,292
Equipment	183,603	10,851	-	194,454
Vehicles	54,154	7,288	-	61,442
Sewer System	6,838,824	-	-	6,838,824
Water System	6,725,619	-	-	6,725,619
Total	<u>13,934,297</u>	<u>18,139</u>	<u>-</u>	<u>13,952,436</u>
Less Accumulated Depreciation				
Land Improvements	9,361	2,340	-	11,701
Buildings and Improvements	43,229	2,752	-	45,981
Equipment	58,372	18,188	-	76,560
Vehicles	21,278	5,840	-	27,118
Sewer System	4,019,031	147,422	-	4,166,453
Water System	2,207,974	168,120	-	2,376,094
Total	<u>6,359,245</u>	<u>344,662</u>	<u>-</u>	<u>6,703,907</u>
Net Capital Assets Being Depreciated	<u>7,575,052</u>	<u>(326,523)</u>	<u>-</u>	<u>7,248,529</u>
Business-Type Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 7,629,569</u>	<u>\$ (326,523)</u>	<u>\$ -</u>	<u>\$ 7,303,046</u>

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2022

NOTE G--CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 11,455
Public Safety	25,994
Public Works	119,498
Recreation and Culture	<u>23,977</u>
Total Governmental Activities	<u>\$ 180,924</u>
Business-Type Activities	
Sewer	\$ 162,107
Water	<u>182,555</u>
Total Business-Type Activities	<u>\$ 344,662</u>



VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2022

NOTE H--LONG-TERM DEBT

The individual long-term debt of the primary government of the Village, and the changes therein, may be summarized as follows:

	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Vested Employee Benefits Payable	\$ 12,508	\$ 12,215	\$ (19,335)	\$ 5,388	\$ 4,041
Total Governmental Activities	<u>\$ 12,508</u>	<u>\$ 12,215</u>	<u>\$ (19,335)</u>	<u>\$ 5,388</u>	<u>\$ 4,041</u>
<u>Business-Type Activities</u>					
2001 Sanitary Sewer Clean Water Loan with annual installments of \$90,000 to \$135,000 for 20 years at an interest rate of 2.5% for the sewer sanitary clean water program.	\$ 135,000	\$ -	\$ (135,000)	\$ -	\$ -
2001 Sanitary Sewer System Revenue Bonds annual installments of \$13,000 to \$63,000 for 40 years at an interest rate at 4.5% for the expansion of the sewer system.	817,000	-	(26,000)	791,000	27,000
2010 Water System Revenue Bonds due in semi-annual installments of \$59,000 to \$171,000 for 40 years at an interest rate of 3% for the expansion of the water system.	3,512,000	-	(76,000)	3,436,000	78,000
2013 Refunding Bonds due in semi-annual installments of \$10,000 to \$40,000 for 19 years at an interest rates ranging from .75% to 4.25% to refund the 1978 and 1992 Water System Revenue Bonds.	350,000	-	(30,000)	320,000	25,000
Total Business-Type Activities	<u>\$ 4,814,000</u>	<u>\$ -</u>	<u>\$ (267,000)</u>	<u>\$ 4,547,000</u>	<u>\$ 130,000</u>

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2022

NOTE H--LONG-TERM DEBT (Continued)

Annual Principal and Interest Requirements

The annual requirements to pay the principal and interest on the Village's long-term debt obligations outstanding on September 30, 2022, are as follows:

Fiscal Year	Business-Type Activities		
	Bonds (Other Debt)		
	Principal	Interest	Total
2023	\$ 130,000	\$ 112,949	\$ 242,949
2024	139,000	109,769	248,769
2025	143,000	106,381	249,381
2026	151,000	104,068	255,068
2027	149,000	100,415	249,415
2028-2032	829,000	442,689	1,271,689
2033-2037	775,000	350,400	1,125,400
2038-2042	855,000	263,940	1,118,940
2043-2047	721,000	164,400	885,400
2048-2051	655,000	49,860	704,860
Total	<u>\$ 4,547,000</u>	<u>\$ 1,804,871</u>	<u>\$ 6,351,871</u>

NOTE I--COMPENSATED ABSENCES

Vested Employee Benefits Payable

The Village's employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's years of service. Vacation benefits earned are credited to each employee on their employment anniversary. The Village has established a formal policy regarding a maximum authorized accumulation of vacation hours per personnel policy. All employees are eligible to be paid for unused balances upon separation of employment from the Village. As of September 30, 2022, the Village has an accrued vested employee benefits payable of \$5,388 recorded in the governmental activities.

NOTE J--DEFINED CONTRIBUTION PENSION PLAN

The Village provides a SIMPLE IRA plan to employees receiving at least \$5,000 in compensation. Employees are eligible to participate from the date of employment. The Village Council approved to match 3% of eligible wages for eligible employees. During the fiscal year, ten employees contributed \$35,999 and the Village contributed \$11,005.

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2022

NOTE K--RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employees' injuries (workers' compensation). The Village purchased commercial insurance coverage through various policies for general liability, property, vehicle, and workman's compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township's Participating Plan (Plan) operates as an insurance pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

NOTE L--CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 87, Leases was implemented during the year. Statement No. 87, Leases increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. A lessee will be required to recognize a lease liability and an intangible right-to-use a lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

NOTE M--RESTATEMENT TO NET POSITION

The Village implementation of GASB 87, Leases requires a restatement to the beginning net position of the Water Fund for an existing lease. The following restatement is to increase net position for the receivable and related revenue that should have been recorded.

	<u>EXHIBIT B</u> Business-Type Activities	<u>EXHIBIT F</u> Water Fund
Beginning Net Position--October 1, 2021	\$ 5,243,072	\$2,175,497
Unrecorded Lease Receivable	<u>48,395</u>	<u>48,395</u>
Restated Beginning Net Position--October 1, 2021	<u>\$ 5,291,467</u>	<u>\$2,223,892</u>

VILLAGE OF THREE OAKS--BERRIEN COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 For the Fiscal Year Ended September 30, 2022

EXHIBIT J

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 344,530	\$ 374,700	\$ 389,813	\$ 15,113
Licenses and Permits	40,000	27,900	27,933	33
State Grants	155,250	191,250	204,113	12,863
Contributions From Local Units	-	2,600	5,320	2,720
Charges for Services	85,000	89,799	98,587	8,788
Fines and Forfeitures	1,000	450	645	195
Interest and Rentals	57,900	62,200	65,007	2,807
Other Revenue	55,000	79,400	84,532	5,132
Total Revenue	<u>738,680</u>	<u>828,299</u>	<u>875,950</u>	<u>47,651</u>
Expenditures				
General Government	158,405	227,635	187,773	39,862
Public Safety	333,900	344,900	270,021	74,879
Public Works	183,433	198,000	180,732	17,268
Community and Economic Development	17,000	19,800	19,358	442
Recreation and Culture	37,442	44,925	29,285	15,640
Capital Outlay	8,500	8,739	8,590	149
Total Expenditures	<u>738,680</u>	<u>843,999</u>	<u>695,759</u>	<u>148,240</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>(15,700)</u>	<u>180,191</u>	<u>195,891</u>
Other Financing Sources				
Insurance Recoveries	<u>-</u>	<u>9,000</u>	<u>13,607</u>	<u>4,607</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>9,000</u>	<u>13,607</u>	<u>4,607</u>
Net Change in Fund Balance	<u>-</u>	<u>(6,700)</u>	<u>193,798</u>	<u>200,498</u>
Fund Balance--Beginning	<u>1,614,824</u>	<u>1,614,824</u>	<u>1,614,824</u>	<u>-</u>
Fund Balance--Ending	<u>\$ 1,614,824</u>	<u>\$ 1,608,124</u>	<u>\$ 1,808,622</u>	<u>\$ 200,498</u>

VILLAGE OF THREE OAKS--BERRIEN COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 MAJOR STREET--MAJOR SPECIAL REVENUE FUND  
 For the Fiscal Year Ended September 30, 2022

EXHIBIT K

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
State Grants				
Michigan Transportation Funds	\$ 91,000	\$ 120,000	\$ 129,496	\$ 9,496
MTF-Snow Funds	2,000	-	-	-
Interest and Rentals	450	700	937	237
Total Revenues	<u>93,450</u>	<u>120,700</u>	<u>130,433</u>	<u>9,733</u>
Expenditures				
Public Works	<u>93,450</u>	<u>120,700</u>	<u>66,741</u>	<u>53,959</u>
Total Expenditures	<u>93,450</u>	<u>120,700</u>	<u>66,741</u>	<u>53,959</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>63,692</u>	<u>63,692</u>
Fund Balance--Beginning	<u>345,997</u>	<u>345,997</u>	<u>345,997</u>	<u>-</u>
Fund Balance--Ending	<u>\$ 345,997</u>	<u>\$ 345,997</u>	<u>\$ 409,689</u>	<u>\$ 63,692</u>

VILLAGE OF THREE OAKS--BERRIEN COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 LOCAL STREET--MAJOR SPECIAL REVENUE FUND  
 For the Fiscal Year Ended September 30, 2022

EXHIBIT L

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
State Grants				
Michigan Transportation Funds	\$ 50,000	\$ 55,000	\$ 62,931	\$ 7,931
Interest and Rentals	550	84	103	19
Total Revenues	<u>50,550</u>	<u>55,084</u>	<u>63,034</u>	<u>7,950</u>
Expenditures				
Public Works	76,500	84,524	60,066	24,458
Capital Outlay	81,400	40,560	30,651	9,909
Total Expenditures	<u>157,900</u>	<u>125,084</u>	<u>90,717</u>	<u>34,367</u>
Excess of Revenues Over (Under) Expenditures	<u>(107,350)</u>	<u>(70,000)</u>	<u>(27,683)</u>	<u>42,317</u>
Other Financing Sources (Uses)				
Interfund Transfers In	<u>107,350</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>107,350</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>
Net Change in Fund Balance	-	-	42,317	42,317
Fund Balance--Beginning	<u>27,063</u>	<u>27,063</u>	<u>27,063</u>	<u>-</u>
Fund Balance--Ending	<u>\$ 27,063</u>	<u>\$ 27,063</u>	<u>\$ 69,380</u>	<u>\$ 42,317</u>

VILLAGE OF THREE OAKS--BERRIEN COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 MUNICIPAL STREET--MAJOR SPECIAL REVENUE FUND  
 For the Fiscal Year Ended September 30, 2022

EXHIBIT M

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$ 132,000	\$ 136,200	\$ 153,346	\$ 17,146
Interest and Rentals	250	250	1,018	768
Total Revenues	<u>132,250</u>	<u>136,450</u>	<u>154,364</u>	<u>17,914</u>
Expenditures				
Public Works	<u>24,900</u>	<u>16,375</u>	<u>16,128</u>	<u>247</u>
Total Expenditures	<u>24,900</u>	<u>16,375</u>	<u>16,128</u>	<u>247</u>
Excess of Revenues Over (Under) Expenditures	<u>107,350</u>	<u>120,075</u>	<u>138,236</u>	<u>18,161</u>
Other Financing Sources (Uses)				
Interfund Transfers (Out)	<u>(107,350)</u>	<u>(120,075)</u>	<u>(70,000)</u>	<u>50,075</u>
Total Other Financing Sources (Uses)	<u>(107,350)</u>	<u>(120,075)</u>	<u>(70,000)</u>	<u>50,075</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>68,236</u>	<u>68,236</u>
Fund Balance--Beginning	<u>434,766</u>	<u>434,766</u>	<u>434,766</u>	<u>-</u>
Fund Balance--Ending	<u>\$ 434,766</u>	<u>\$ 434,766</u>	<u>\$ 503,002</u>	<u>\$ 68,236</u>

VILLAGE OF THREE OAKS--BERRIEN COUNTY  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 September 30, 2022

EXHIBIT N

	<u>SPECIAL REVENUE</u>			
	<u>Rubbish</u>	<u>Building Department</u>	<u>Drug Forfeiture</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 27,166	\$ 57,003	\$ 639	\$ 84,808
Delinquent Special Assessments Receivable	6,708	-	-	6,708
Due From Other Funds--Primary Government	100,343	-	-	100,343
Total Assets	<u>\$ 134,217</u>	<u>\$ 57,003</u>	<u>\$ 639</u>	<u>\$ 191,859</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>				
Accounts Payable	\$ 7,987	\$ 8,249	\$ -	\$ 16,236
Due To Other Funds--Primary Government	35	2,893	446	3,374
Total Liabilities	<u>8,022</u>	<u>11,142</u>	<u>446</u>	<u>19,610</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue	<u>4,680</u>	<u>-</u>	<u>-</u>	<u>4,680</u>
Fund Balances				
Restricted	<u>121,515</u>	<u>45,861</u>	<u>193</u>	<u>167,569</u>
Total Fund Balances	<u>121,515</u>	<u>45,861</u>	<u>193</u>	<u>167,569</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 134,217</u>	<u>\$ 57,003</u>	<u>\$ 639</u>	<u>\$ 191,859</u>



VILLAGE OF THREE OAKS--BERRIEN COUNTY  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 For the Fiscal Year Ended September 30, 2022

EXHIBIT O

	SPECIAL REVENUE			Total
	Rubbish	Building Department	Drug Forfeiture	
Revenues				
Special Assessments	\$ 105,047	\$ -	\$ -	\$ 105,047
Licenses and Permits	-	61,122	-	61,122
Interest and Rentals	247	151	-	398
Total Revenues	<u>105,294</u>	<u>61,273</u>	<u>-</u>	<u>166,567</u>
Expenditures				
Public Safety	-	50,061	-	50,061
Public Works	95,971	-	-	95,971
Total Expenditures	<u>95,971</u>	<u>50,061</u>	<u>-</u>	<u>146,032</u>
Excess of Revenue Over (Under) Expenditures	9,323	11,212	-	20,535
Fund Balance--Beginning	<u>112,192</u>	<u>34,649</u>	<u>193</u>	<u>147,034</u>
Fund Balance--Ending	<u>\$ 121,515</u>	<u>\$ 45,861</u>	<u>\$ 193</u>	<u>\$ 167,569</u>

VILLAGE OF THREE OAKS--BERRIEN COUNTY  
 SCHEDULE OF REVENUES BY SOURCE  
 BUDGET AND ACTUAL--GENERAL FUND  
 For the Fiscal Year Ended September 30, 2022

EXHIBIT P

<u>REVENUES</u>	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Property Taxes				
Current Taxes	\$ 317,000	\$ 325,000	\$ 347,929	\$ 22,929
Delinquent Taxes	25,000	43,000	33,466	(9,534)
Interest and Penalties	1,030	2,500	2,702	202
Administrative Fees	1,500	4,200	5,716	1,516
<b>Total Property Taxes</b>	<b>344,530</b>	<b>374,700</b>	<b>389,813</b>	<b>15,113</b>
Licenses and Permits				
Marijuana Permits	25,000	10,000	10,000	-
Franchise Fees	15,000	17,300	17,333	33
Special Land Use Permit Fees	-	600	600	-
<b>Total Licenses and Permits</b>	<b>40,000</b>	<b>27,900</b>	<b>27,933</b>	<b>33</b>
State Grants				
Liquor License	10,000	2,700	2,766	66
Police Training Grant	250	250	250	-
Local Community Stabilization Funds	-	3,300	3,323	23
Revenue Sharing	145,000	185,000	197,774	12,774
<b>Total State Grants</b>	<b>155,250</b>	<b>191,250</b>	<b>204,113</b>	<b>12,863</b>
Contributions From Other Units				
Contributions From Other Units	-	2,600	5,320	2,720
<b>Total Contributions From Other Units</b>	<b>-</b>	<b>2,600</b>	<b>5,320</b>	<b>2,720</b>
Charges for Services				
Zoning Board of Appeals Fees	-	1,200	1,200	-
Police	84,000	87,000	95,579	8,579
Park	1,000	1,100	1,300	200
Other Charges for Services	-	499	508	9
<b>Total Charges for Services</b>	<b>85,000</b>	<b>89,799</b>	<b>98,587</b>	<b>8,788</b>
Fines and Forfeitures				
Traffic and Ordinance Fines	1,000	450	645	195
<b>Total Fines and Forfeitures</b>	<b>1,000</b>	<b>450</b>	<b>645</b>	<b>195</b>
Interest and Rentals				
Vehicle Rental	40,000	43,000	44,614	1,614
Village Rental	12,900	12,700	12,750	50
Interest	5,000	6,500	7,643	1,143
<b>Total Interest and Rentals</b>	<b>57,900</b>	<b>62,200</b>	<b>65,007</b>	<b>2,807</b>
Other Revenue				
Local Revenue Sharing--Casino Funds	55,000	75,000	76,713	1,713
Reimbursements	-	4,400	7,819	3,419
<b>Total Other Revenue</b>	<b>55,000</b>	<b>79,400</b>	<b>84,532</b>	<b>5,132</b>
<b>Total Revenue</b>	<b>738,680</b>	<b>828,299</b>	<b>875,950</b>	<b>47,651</b>
Other Financing Sources				
Insurance Recoveries	-	9,000	13,607	4,607
<b>Total Other Financing Sources</b>	<b>-</b>	<b>9,000</b>	<b>13,607</b>	<b>4,607</b>
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 738,680</b>	<b>\$ 837,299</b>	<b>\$ 889,557</b>	<b>\$ 52,258</b>

VILLAGE OF THREE OAKS--BERRIEN COUNTY  
 SCHEDULE OF EXPENDITURES BY ACTIVITY  
 BUDGET AND ACTUAL--GENERAL FUND  
 For the Fiscal Year Ended September 30, 2022

EXHIBIT Q

<u>EXPENDITURES</u>	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
General Government				
Village Council	\$ 10,450	\$ 10,450	\$ 8,150	\$ 2,300
President	3,465	4,060	3,955	105
Village Manager	33,800	35,285	29,577	5,708
Clerk	28,775	40,425	36,151	4,274
Accounting Fees	5,000	5,000	5,175	(175)
Treasurer	25,125	39,735	35,527	4,208
Building and Grounds	1,800	5,250	2,865	2,385
Attorney Fees	12,000	36,500	29,140	7,360
Other General Government	37,990	50,930	37,233	13,697
Total General Government	<u>158,405</u>	<u>227,635</u>	<u>187,773</u>	<u>39,862</u>
Public Safety				
Police	283,600	323,350	250,161	73,189
Fire	50,300	21,550	19,860	1,690
Total Public Safety	<u>333,900</u>	<u>344,900</u>	<u>270,021</u>	<u>74,879</u>
Public Works				
Department of Public Works	150,433	165,250	149,638	15,612
Drain at Large	16,500	17,000	16,668	332
Street Lights	16,500	15,750	14,426	1,324
Total Public Works	<u>183,433</u>	<u>198,000</u>	<u>180,732</u>	<u>17,268</u>
Community and Economic Development				
Planning	14,000	19,800	19,358	442
Community and Economic Development	3,000	-	-	-
Total Community and Economic Development	<u>17,000</u>	<u>19,800</u>	<u>19,358</u>	<u>442</u>
Recreation and Culture				
Parks and Recreation	37,442	44,925	29,285	15,640
Total Recreation and Culture	<u>37,442</u>	<u>44,925</u>	<u>29,285</u>	<u>15,640</u>
Capital Outlay	8,500	8,739	8,590	149
Total Capital Outlay	<u>8,500</u>	<u>8,739</u>	<u>8,590</u>	<u>149</u>
Total Expenditures	<u>\$ 738,680</u>	<u>\$ 843,999</u>	<u>\$ 695,759</u>	<u>\$ 148,240</u>



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

INDEPENDENT AUDITOR'S 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*

June 2, 2023

Village Council  
Village of Three Oaks  
P.O. Box 335  
Three Oaks, Michigan 49128

Dear Council Members:

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, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Village of Three Oaks, Berrien County, Michigan, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Village of Three Oaks' basic financial statements, and have issued our report thereon dated June 2, 2023.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Three Oaks' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in circumstance 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 Three Oaks' internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Three Oaks' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We consider the deficiencies described in the accompanying Schedule of Findings and Responses listed as Findings 2022-001 to 2022-004 to be a material weakness.

#### Compliance and Other Matters

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


#### Village of Three Oaks' Responses to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the Village of Three Oaks' response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Village of Three Oaks' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

#### 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, not to provide an opinion on the effectiveness of the Village of Three Oaks' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Three Oaks' internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,



Cary Jay Vaughn, CPA, CGFM

Audit Manager

Community Engagement and Finance Division



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

INDEPENDENT AUDITOR'S COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

June 2, 2023

Village Council  
Village of Three Oaks  
P.O. Box 335  
Three Oaks, Michigan 49128

RE: Report to Those Charged With Governance

Dear Council Members:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Village of Three Oaks, Berrien County, Michigan, for the fiscal year ended September 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 2, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village of Three Oaks are described in Note A to the financial statements. As described in Note L to the financial statements, the Village of Three Oaks changed accounting policies related to leases by adopting Governmental Accounting Standards Board Statement No. 87, Leases. The result was the recording of a lease receivable in the financial statements. We noted no transactions entered into by the Village of Three Oaks during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements of the governmental activities were:

P.O. BOX 30728 • LANSING, MICHIGAN 48909-8228  
www.michigan.gov/treasury • 517-335-7469

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. Management's estimate of depreciation is based on the straight-line method.

Management's estimate of the compensated absences is based on current hourly rates and policies regarding payment of compensation banks. Management's calculation of the current and noncurrent compensated absence liability amounts was based on an estimate of the percentage of employees' use of compensated absences.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statement taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 2, 2023.

#### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village of Three Oaks' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the

consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Village of Three Oaks' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters


We applied certain limited procedures to the management's discussion and analysis as well as budgetary comparison information in Exhibits J through M, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining statements for nonmajor governmental funds and budget to actual schedules for the General Fund, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Village of Three Oaks' Council and management of the Village of Three Oaks and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,



Cary Jay Vaughn, CPA, CGFM

Audit Manager

Community Engagement and Finance Division



VILLAGE OF THREE OAKS

SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended September 30, 2022

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.

MATERIAL WEAKNESSES

Preparation of Financial Statements  
in Accordance with GAAP

*Finding 2021-002 (Repeat Finding)*

*Condition:* As is the case in many small and medium-sized governmental entities, the Village of Three Oaks has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements, fund financial statements, and notes to financial statements as part of its external financial reporting process. Accordingly, the Village's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered to be a part of the Village's internal controls.

*Criteria:* All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the Village's management. The preparation of financial statements in accordance with GAAP requires internal controls over both: 1) recording, processing, and summarizing accounting data (maintaining internal accounting books and records); and 2) reporting government-wide and fund financial statements, including the related notes to financial statements (external financial reporting).

*Cause:* This condition was caused by the Village's decision to outsource the preparation of its annual financial statements to the auditors. This decision was based on the determination that it would be more cost effective to outsource this function rather than invest the time and incur the expense to obtain the necessary training and expertise for Village to prepare this information internally.

*Effect:* The Village lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this duty.

*Recommendation:* We recommend that the Village Council evaluate the cost versus benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and determine if it is in the best interests of the Village to outsource this duty to its external auditors. If the Village continues to rely on its external auditors to prepare the financial

VILLAGE OF THREE OAKS

SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended September 30, 2022

statements, we recommend that the council designate a responsible Village official to carefully review the draft financial statements, including the notes, prior to approving them and accepting responsibility for their content and presentation.

*Management's Response:* The Village staff prepares monthly financial statements for the Village Manager to review. However, it is not cost beneficial for the Village to hire additional staff for preparing the audit report and the GASB 34 statements required.

Bank Accounts Not Reconciled

*Finding 2022-002*

*Condition:* The Village's bank accounts were not properly reconciled in a timely manner (monthly).

*Criteria:* The APM states "all bank accounts must be reconciled to the local unit accounting records monthly and should then be reviewed by the appropriate supervisory personnel. Bank statements and reconciliations must be retained for audit purposes."

*Cause:* The Village experienced turn over in the Treasurer's position, the person primarily responsible for performing the bank reconciliations. The Village hired a new person who was unable to perform the bank reconciliations which then fell further behind while the Village had to replace the position once again.

*Effect:* Errors were not found or corrected in a timely manner. Failure to reconcile the bank statements created an incomplete general ledger and led to an over or understatement of cash balances and a corresponding over or understatement of revenues and/or expenditures. The Village Council was not aware of the true financial status of any of the Village's funds and therefor; could not make any sound financial decisions. The financial condition of the Village may not have been readily determined.

*Recommendation:* We recommend that the Village Council prepare, approve, and institute a reconciliation process that ensures bank reconciliations are performed monthly and reviewed by an independent person. Back up procedures should be developed during this process to avoid delays in reconciliations should turn over of employees occur again.

*Management's Response:* When the individual performing the bank reconciliation task is unable to perform the task or the Village has a turnover of employees, the Village will work with a third party to ensure reconciliation are completed in a timely manner.

Material Audit Adjustments

*Finding 2022-003*

*Condition:* We identified and proposed numerous material adjustments, which were approved and posted by management, to reconcile the Village's general ledger to the audited balances. These adjustments included the following entries.

VILLAGE OF THREE OAKS

SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended September 30, 2022

1. Entries to finish reconciling the cash balances including unrecorded debt payments, unrecorded bank fees and interest income, unrecorded transfers between funds, taxes for the Municipal Street Fund and special assessments for the Rubbish Fund deposited into the incorrect bank account, and other corrections.
2. The Drinking Water Asset Management (DWAM) was incorrectly deposited and recorded to the General Fund. This includes the amount received in fiscal year 2022 and 2023.
3. All equipment rental for the Major and Local Street Funds was recorded as part of the summer routine maintenance activity, including \$27,075 in winter equipment rental that needed to be reclassified. For fiscal year 2023, all equipment rental has now been posted to winter equipment rental and not separated between summer and winter.
4. Inventory in the Municipal Street Fund was not reviewed and the expense of \$9,306 was not allocated to the Major and Local Street Funds.
5. Bond principal in the Sewer Fund was charged as an expense instead of being directly charged to the bond liability account.
6. Depreciation expense was not recorded for the Sewer and Water Funds.

*Criteria:* Management is responsible for maintaining the Village's accounting records in accordance with generally accepted accounting principles (GAAP).

*Cause:* The turnover of the Village Treasurer's position and reliance on its independent external auditors to assist with the processes has led to the need for making the necessary year-end adjustments to present its financial statements in accordance with GAAP.

*Effect:* As a result of this condition, the Village's accounting records were initially misstated by amounts material to the financial statements.

*Recommendation:* We recommend that the Village Council provide for appropriate training for its accounting personnel. This will provide management with the necessary skills for reconciling all Village accounts both at year end and throughout the fiscal year. This will result in more accurate and meaningful data to the Village Council for decision making.

*Management's Response:* The Village will review its records more thoroughly to ensure that the financial information is more accurate.

Capital Assets

*Finding 2022-004*

*Condition:* The subsidiary listing for the capital assets was not updated for the current year's activity. Depreciation expense was not posted to the general ledger.

*Criteria:* Generally accepted accounting principles require each local unit of government to maintain a record of capital assets. The Village is to update the capital asset listing for additions and deletions. Assets purchased during the year should equal the additions to the capital asset records. Disposals should equal the reduction to the capital asset records. For the enterprise

VILLAGE OF THREE OAKS

SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended September 30, 2022

funds, depreciation is to be calculated on the capital assets and posted to depreciation expense and the respective accumulated depreciation accounts.

*Cause:* The turnover in the Treasurer's position led to the listing not being updated.

*Effect:* The list was not updated, and the depreciation expense was not recorded for the enterprise funds.

*Recommendation:* We recommend that the Village maintain its capital asset listing throughout the year and that it be periodically reviewed to ensure that new equipment is properly posted, disposals are updated, and related depreciation is calculated and posted.

*Management's Response:* The Village will review its personnel and procedures to try to begin to maintain its own capital asset listing and record the depreciation expense.