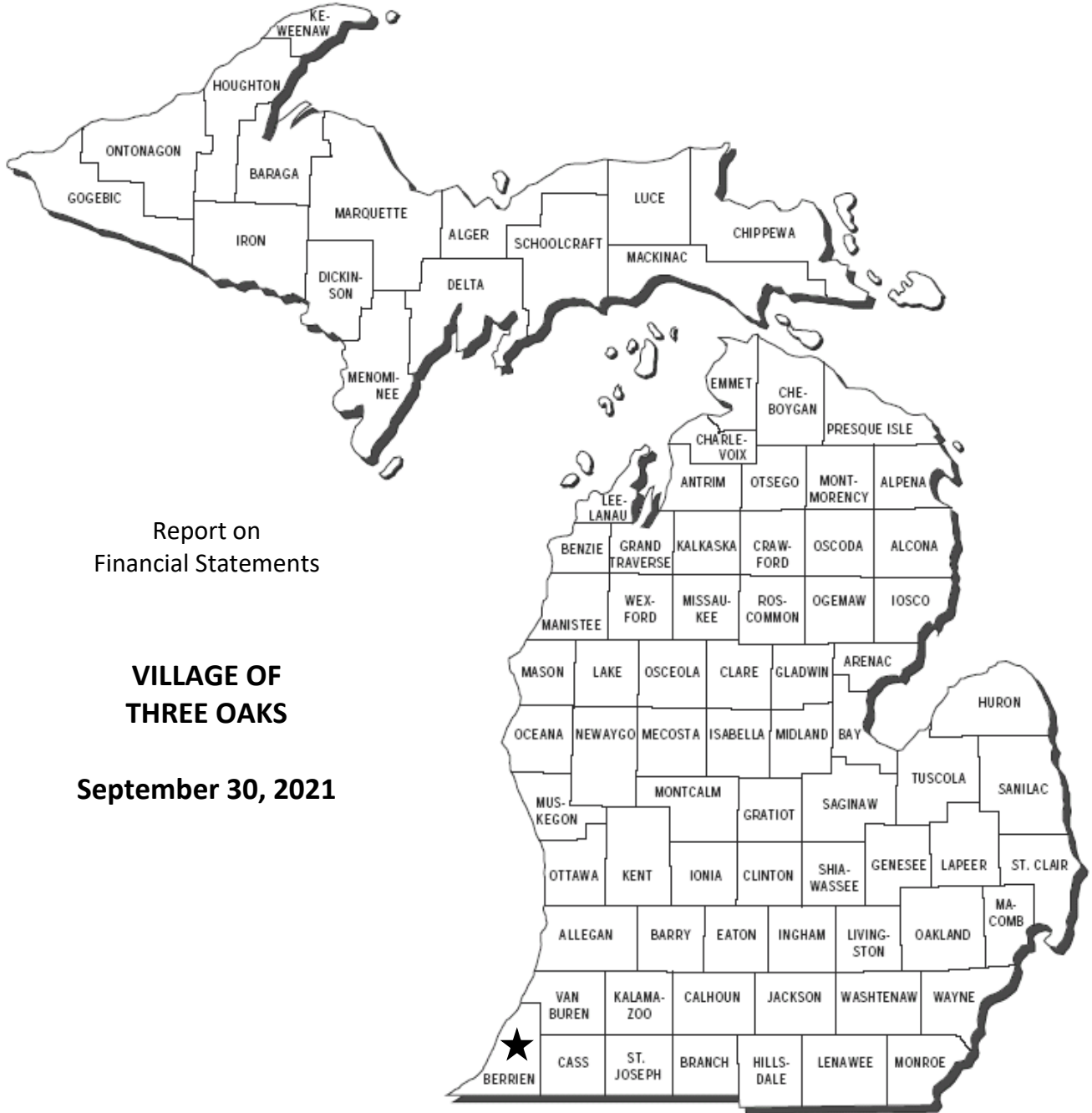


STATE OF MICHIGAN

Gretchen Whitmer, Governor

DEPARTMENT OF TREASURY

Rachael Eubanks, State Treasurer



Report on
Financial Statements

**VILLAGE OF
THREE OAKS**

September 30, 2021

VILLAGE OF THREE OAKS

VILLAGE COUNCIL

September 9, 2022

Richard Smith
President

Steve Graziano
President Pro-Tem

John Kramer
Council Member

Colleen Newquist
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--2021
\$43,172,670



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

September 9, 2022

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

Independent Auditor's Report

Dear Council Members:

Report on the Financial Statements

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, 2021, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the discretely presented component unit and remaining fund information of the Village of Three Oaks, Berrien County, Michigan, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other 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 the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying supplementary and related information presented in Exhibits N through Q are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary and related information presented in Exhibits N through Q are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2022, 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

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VILLAGE OF THREE OAKS

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VILLAGE OF THREE OAKS--BERRIEN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended September 30, 2021

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, 2021.

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, 2021

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 O. 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, 2021

The Village as a Whole

The Village's combined net position increased from \$9,509,776 to \$10,055,308 or \$545,532 for the year ending September 30, 2021. This is similar to the previous year when the net position increased \$708,109. 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	
	2020	2021	2020	2021	2020	2021
Current and Other Assets	\$ 2,538,307	\$ 2,749,283	\$ 1,373,079	\$ 1,644,945	\$ 3,911,386	\$ 4,394,228
Non-current Assets	2,121,114	2,208,957	8,671,467	8,454,406	10,792,581	10,663,363
Total Assets	4,659,421	4,958,240	10,044,546	10,099,351	14,703,967	15,057,591
Current Liabilities	84,943	133,496	11,359	42,279	96,302	175,775
Non-current Liabilities	20,077	12,508	5,073,000	4,814,000	5,093,077	4,826,508
Total Liabilities	105,020	146,004	5,084,359	4,856,279	5,189,379	5,002,283
Deferred Inflow of Resources	4,812	-	-	-	4,812	-
Net Position						
Net Investment in						
Capital Assets	2,101,037	2,208,957	2,755,639	2,815,569	4,856,676	5,024,526
Restricted	968,961	974,658	842,828	824,837	1,811,789	1,799,495
Unrestricted	1,479,591	1,628,621	1,361,720	1,602,666	2,841,311	3,231,287
Total Net Position	\$ 4,549,589	\$ 4,812,236	\$ 4,960,187	\$ 5,243,072	\$ 9,509,776	\$ 10,055,308

VILLAGE OF THREE OAKS--BERRIEN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended September 30, 2021

The Village as a Whole (Continued)

The Village's governmental activities net position increased overall by 6% or \$262,647 (\$4,812,236 compared to \$4,549,589). The increased net investment in capital assets resulted from the Michigan Street project and new police car and equipment offset by continued depreciation. 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 6% or \$282,885 (\$5,243,072 compared to \$4,960,187). The increase in the net investment in capital assets was due to a new truck, sewer and water equipment, and water main upgrade offset by the continued depreciation on the sewer and water systems. The decrease in restricted net position is due to less restricted repair and improvement funds needed to repair 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, 2021

The Village as a Whole (Continued)

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2021	2020	2021	2020	2021
Program Revenue						
Charges for Services	\$ 116,839	\$ 207,227	\$ 1,144,632	\$ 1,146,305	\$ 1,261,471	\$ 1,353,532
Operating Grants and Contributions	308,963	283,001	-	-	308,963	283,001
Capital Grants and Contributions	79,000	-	-	-	79,000	-
General Revenue						
Property Taxes	598,559	619,550	-	-	598,559	619,550
State-Shared Revenues	174,031	195,597	-	-	174,031	195,597
Franchise Fees	16,558	17,469	-	-	16,558	17,469
Unrestricted Investment Earnings	19,482	8,017	17,163	5,760	36,645	13,777
Rents	13,017	14,967	-	-	13,017	14,967
Other	1,427	1,861	-	-	1,427	1,861
Insurance Recoveries	58,517	22,341	-	-	58,517	22,341
Gain/(Loss) on Disposal of Capital Assets	-	(23,511)	-	-	-	(23,511)
Total Revenues	1,386,393	1,346,519	1,161,795	1,152,065	2,548,188	2,498,584
Program Expenses						
General Government	139,237	171,664	-	-	139,237	171,664
Public Safety	309,089	340,674	-	-	309,089	340,674
Public Works	471,497	472,433	-	-	471,497	472,433
Community and Economic Development	13,798	35,612	-	-	13,798	35,612
Recreation and Cultural	57,848	62,756	-	-	57,848	62,756
Interest on Debt	1,440	733	-	-	1,440	733
Sewer	-	-	398,061	413,545	398,061	413,545
Water	-	-	449,109	455,635	449,109	455,635
Total Expenses	992,909	1,083,872	847,170	869,180	1,840,079	1,953,052
Change in Net Position	\$ 393,484	\$ 262,647	\$ 314,625	\$ 282,885	\$ 708,109	\$ 545,532

VILLAGE OF THREE OAKS--BERRIEN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended September 30, 2021

The Village as a Whole (Continued)

Governmental Activities

The revenues for the Village's governmental activities decreased by 3% or \$39,874, while expenses increased by 9% or \$90,963. The decrease in the revenues is due to a combination of a decrease in federal grants for COVID relief and the USDA grant for the Chamberlain Path project, insurance recoveries received, and loss on disposal of capital assets, offset by increased revenues from an increased taxable value, increased state revenue sharing funds received, and first-time charges for services for marijuana permits. The primary increase in expenses is in general government, public safety, and community and economic development with increased costs related to planning costs, attorney fees, and marijuana enforcement and oversight.

Business-Type Activities

The revenues for the Village's business-type activities decreased by 1% or \$9,730, while expenses increased by 3% or \$22,010. The revenues remained similar as there were no rate increases during the fiscal year. The expenses increased across the board due to increasing fuel prices, costs for supplies, and repairs performed.

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 \$2,569,684 which is \$151,340 more than last year's \$2,418,344. 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 new marijuana permits and planning costs while revenue for a Watkins Park project were removed. The largest adjustments in the General fund expenses also correlated to the changes in revenues as general government, public safety, and community economic and development amounts were increased for the costs to establish allowing marijuana in the Village while the recreational and cultural was decreased for the park project not performed. Adjustments were also made to the Major and Local Street funds to adjust expenses for actual routine and winter maintenance costs.

VILLAGE OF THREE OAKS--BERRIEN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended September 30, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2021, the Village had \$9,836,526 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 \$111,227.

Table 3
Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2021	2020	2021	2020	2021
Land	\$ 275,914	\$ 275,914	\$ 54,517	\$ 54,517	\$ 330,431	\$ 330,431
Land Improvements	474,747	474,747	46,805	46,805	521,552	521,552
Buildings and Improvements	308,616	308,616	85,292	85,292	393,908	393,908
Equipment	103,130	116,153	132,682	183,603	235,812	299,756
Vehicles	235,561	243,998	18,750	54,154	254,311	298,152
Infrastructure	1,832,396	2,041,092	-	-	1,832,396	2,041,092
Sewer System	-	-	6,838,824	6,838,824	6,838,824	6,838,824
Water System	-	-	6,722,602	6,725,619	6,722,602	6,725,619
Total Capital Assets	3,230,364	3,460,520	13,899,472	13,988,814	17,129,836	17,449,334
Total Accumulated Depreciation	(1,109,250)	(1,251,563)	(6,070,833)	(6,359,245)	(7,180,083)	(7,610,808)
Total Net Capital Assets	\$ 2,121,114	\$ 2,208,957	\$ 7,828,639	\$ 7,629,569	\$ 9,949,753	\$ 9,838,526

VILLAGE OF THREE OAKS--BERRIEN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended September 30, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

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

Police Equipment	\$ 23,839
Police Vehicle	41,554
Michigan Street Infrastructure	208,696
Sewer/Water Equipment	50,921
Sewer/Water Vehicle	35,404
Water System	<u>57,017</u>
 Total Additions	 <u>\$ 417,431</u>

The Village's fiscal year 2021 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 \$4,814,000 in bonds and notes outstanding versus \$5,093,077 last year, a net decrease of \$279,077, 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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2021	2020	2021	2020	2021
Installment Purchase						
Agreements	\$ 20,077	\$ -	\$ -	\$ -	\$ 20,077	\$ -
Bonds Payable	<u>-</u>	<u>-</u>	<u>5,073,000</u>	<u>4,814,000</u>	<u>5,073,000</u>	<u>4,814,000</u>
Total	<u>\$ 20,077</u>	<u>\$ -</u>	<u>\$ 5,073,000</u>	<u>\$ 4,814,000</u>	<u>\$ 5,093,077</u>	<u>\$ 4,814,000</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, 2021

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Village's budget for 2021/2022 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, 2021

EXHIBIT A

	PRIMARY GOVERNMENT			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 2,649,816	\$ 1,606,098	\$ 4,255,914	\$ 108,196
Receivables (Net)				
Taxes--Delinquent	61,711	-	61,711	-
Special Assessments--Delinquent	11,076	-	11,076	-
Accounts	4,141	36,052	40,193	-
Due From State	18,537	-	18,537	-
Due From Other Funds--Component Unit	166	-	166	-
Internal Balances	(2,795)	2,795	-	-
Inventory	6,631	-	6,631	-
Total Current Assets	2,749,283	1,644,945	4,394,228	108,196
Non-Current Assets				
Restricted Cash	-	824,837	824,837	-
Capital Assets--Net of Accumulated Depreciation	1,933,043	7,575,052	9,508,095	-
Capital Assets--Non-Depreciating	275,914	54,517	330,431	-
Total Assets	4,958,240	10,099,351	15,057,591	108,196
LIABILITIES				
Current Liabilities				
Accounts Payable	130,344	42,279	172,623	9,802
Due To Other Funds--Primary Government	-	-	-	166
Accrued Liabilities	926	-	926	-
Escrow Payable	2,226	-	2,226	-
Total Current Liabilities	133,496	42,279	175,775	9,968
Long-Term Liabilities				
Vested Employee Benefits				
Due Within One Year	9,381	-	9,381	-
Due in More Than One Year	3,127	-	3,127	-
Bonds Payable				
Due Within One Year	-	267,000	267,000	-
Due in More Than One Year	-	4,547,000	4,547,000	-
Total Long-Term Liabilities	12,508	4,814,000	4,826,508	-
Total Liabilities	146,004	4,856,279	5,002,283	9,968
NET POSITION				
Net Investment in Capital Assets	2,208,957	2,815,569	5,024,526	-
Restricted for				
PA 302 Funds	1,152	-	1,152	-
Major Street	345,997	-	345,997	-
Local Street	27,063	-	27,063	-
Municipal Street	445,600	-	445,600	-
Non-Major Governmental	154,846	-	154,846	-
Downtown Development Authority	-	-	-	98,228
Debt Service	-	824,837	824,837	-
Unrestricted	1,628,621	1,602,666	3,231,287	-
Total Net Position	\$ 4,812,236	\$ 5,243,072	\$ 10,055,308	\$ 98,228

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, 2021

EXHIBIT B

Functions/Programs	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION						
	PROGRAM REVENUES			PRIMARY GOVERNMENT			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government							
Governmental Activities							
General Government	\$ 171,664	\$ 70,546	\$ 73,877	\$ (27,241)	\$ -	\$ (27,241)	\$ -
Public Safety	340,674	118,468	2,834	(219,372)	-	(219,372)	-
Public Works	472,433	850	206,290	(265,293)	-	(265,293)	-
Community and Economic Development	35,612	15,663	-	(19,949)	-	(19,949)	-
Recreation and Culture	62,756	1,700	-	(61,056)	-	(61,056)	-
Interest Expense	733	-	-	(733)	-	(733)	-
Total Governmental Activities	<u>1,083,872</u>	<u>207,227</u>	<u>283,001</u>	<u>(593,644)</u>	<u>-</u>	<u>(593,644)</u>	<u>-</u>
Business-Type Activities							
Sewer	413,545	603,538	-	-	189,993	189,993	-
Water	455,635	542,767	-	-	87,132	87,132	-
Total Business-Type Activities	<u>869,180</u>	<u>1,146,305</u>	<u>-</u>	<u>-</u>	<u>277,125</u>	<u>277,125</u>	<u>-</u>
Total Primary Government	<u>\$ 1,953,052</u>	<u>\$ 1,353,532</u>	<u>\$ 283,001</u>	<u>(593,644)</u>	<u>277,125</u>	<u>(316,519)</u>	<u>-</u>
Component Units							
Downtown Development Authority	\$ 17,553	\$ 245	\$ -	-	-	-	(17,308)
Total Component Units	<u>\$ 17,553</u>	<u>\$ 245</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,308)</u>
General Revenues							
Property Taxes				619,550	-	619,550	32,251
State-Shared Revenues				195,597	-	195,597	-
Franchise Fees				17,469	-	17,469	-
Unrestricted Investment Earnings				8,017	5,760	13,777	-
Rents				14,967	-	14,967	-
Other Revenues				1,861	-	1,861	-
Insurance Recoveries				22,341	-	22,341	-
Gain/(Loss) on Disposal of Capital Assets				(23,511)	-	(23,511)	-
Total General Revenues				<u>856,291</u>	<u>5,760</u>	<u>862,051</u>	<u>32,251</u>
Change in Net Position				262,647	282,885	545,532	14,943
Net Position--Beginning				4,549,589	4,960,187	9,509,776	83,285
Net Position--Ending				<u>\$ 4,812,236</u>	<u>\$ 5,243,072</u>	<u>\$ 10,055,308</u>	<u>\$ 98,228</u>

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, 2021

EXHIBIT C

	MAJOR FUNDS					Total Governmental Funds
	General	Major Street	Local Street	Municipal Street	Nonmajor Funds	
ASSETS						
Cash and Cash Equivalents	\$ 1,655,280	\$337,338	\$82,567	\$ 422,358	\$152,273	\$ 2,649,816
Receivables						
Taxes--Delinquent	44,255	-	-	17,456	-	61,711
Special Assessments--Delinquent	-	-	-	-	11,076	11,076
Accounts	4,141	-	-	-	-	4,141
Due From State	-	12,607	5,930	-	-	18,537
Due From Other Funds--Primary Government	3,712	386	-	-	-	4,098
Due From Component Unit	166	-	-	-	-	166
Inventory	-	-	-	6,631	-	6,631
Total Assets	\$ 1,707,554	\$350,331	\$88,497	\$ 446,445	\$163,349	\$ 2,756,176
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE						
Liabilities						
Accounts Payable	\$ 56,556	\$ 4,234	\$60,929	\$ 122	\$ 8,503	\$ 130,344
Due to Other Funds--Primary Government	5,565	100	505	723	-	6,893
Accrued Liabilities	926	-	-	-	-	926
Escrows Payable	2,226	-	-	-	-	2,226
Total Liabilities	65,273	4,334	61,434	845	8,503	140,389
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	27,457	-	-	10,834	7,812	46,103
Fund Balances						
Non-Spendable	-	-	-	6,631	-	6,631
Restricted for						
PA 302 Funds	1,152	-	-	-	-	1,152
Major Street	-	345,997	-	-	-	345,997
Local Street	-	-	27,063	-	-	27,063
Municipal Street	-	-	-	428,135	-	428,135
Non-Major Governmental	-	-	-	-	147,034	147,034
Assigned for						
Vehicle Replacement	264,456	-	-	-	-	264,456
Unassigned	1,349,216	-	-	-	-	1,349,216
Total Fund Balances	1,614,824	345,997	27,063	434,766	147,034	2,569,684
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 1,707,554	\$350,331	\$88,497	\$ 446,445	\$163,349	\$ 2,756,176
Fund Balances--Total Governmental Funds						\$ 2,569,684
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						2,208,957
Revenues that do not provide current financial resources are not reported as revenue in the funds--delinquent property taxes.						46,103
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.						(12,508)
Net Position of Governmental Activities						\$ 4,812,236

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, 2021

EXHIBIT D

	MAJOR FUNDS					Total Governmental Funds
	General	Major Street	Local Street	Municipal Street	Non-Major Funds	
Revenues						
Property Taxes	\$ 360,176	\$ -	\$ -	\$ 141,966	\$ -	\$ 502,142
Special Assessments	-	-	-	-	101,513	101,513
Licenses and Permits	90,769	-	-	-	23,380	114,149
Federal Grants	9,757	-	-	-	-	9,757
State Grants	198,374	138,913	65,253	-	-	402,540
Charges for Services	109,540	-	-	-	-	109,540
Fines and Forfeits	1,007	-	-	-	-	1,007
Interest and Rentals	59,884	679	193	1,044	265	62,065
Other Revenue	65,981	-	-	-	-	65,981
Total Revenues	895,488	139,592	65,446	143,010	125,158	1,368,694
Expenditures						
Current						
General Government	153,710	-	-	-	-	153,710
Public Safety	294,686	-	-	-	23,340	318,026
Public Works	153,707	57,911	60,689	23,468	98,647	394,422
Community and Economic Development	35,612	-	-	-	-	35,612
Recreation and Cultural	43,026	-	-	-	-	43,026
Capital Outlay	65,393	-	208,696	-	-	274,089
Debt Service	20,810	-	-	-	-	20,810
Total Expenditures	766,944	57,911	269,385	23,468	121,987	1,239,695
Excess of Revenues Over (Under) Expenditures	128,544	81,681	(203,939)	119,542	3,171	128,999
Other Financing Sources (Uses)						
Insurance Recoveries	22,341	-	-	-	-	22,341
Interfund Transfers In	-	-	142,651	-	-	142,651
Interfund Transfers (Out)	-	-	-	(142,651)	-	(142,651)
Total Other Financing Sources (Uses)	22,341	-	142,651	(142,651)	-	22,341
Net Change in Fund Balances	150,885	81,681	(61,288)	(23,109)	3,171	151,340
Fund Balance--Beginning	1,463,939	264,316	88,351	457,875	143,863	2,418,344
Fund Balance--Ending	\$ 1,614,824	\$ 345,997	\$ 27,063	\$ 434,766	\$ 147,034	\$ 2,569,684
Net Change in Fund Balances--Total Governmental Funds						\$ 151,340
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						274,089
Deduct--Depreciation Expense						(162,735)
Deduct--Equipment Retirements						(23,511)
Net increase (decrease) in revenue between the current year delinquent taxes and the prior year delinquent taxes collected during the prior year.						15,895
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:						(12,508)
Repayments of installment purchase agreements is an expenditure in the governmental funds, but not in the Statement of Activities (where it reduces the long-term debt).						20,077
Change in Net Position of Governmental Activities						\$ 262,647

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, 2021

EXHIBIT E

	<u>ENTERPRISE FUNDS</u>		Total Enterprise Funds
	<u>Major Funds</u>		
	<u>Sewer</u>	<u>Water</u>	
<u>ASSETS</u>			
Current Assets			
Cash and Cash Equivalents	\$ 640,188	\$ 965,910	\$ 1,606,098
Accounts Receivable	21,157	14,895	36,052
Due From Other Funds	53	5,565	5,618
Total Current Assets	<u>661,398</u>	<u>986,370</u>	<u>1,647,768</u>
Non-Current Assets			
Restricted Cash	408,720	416,117	824,837
Capital Assets--Net of Accumulated Depreciation	2,945,440	4,629,612	7,575,052
Capital Assets--Non-Depreciating	30,017	24,500	54,517
Total Non-Current Assets	<u>3,384,177</u>	<u>5,070,229</u>	<u>8,454,406</u>
Total Assets	<u>4,045,575</u>	<u>6,056,599</u>	<u>10,102,174</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	23,230	19,049	42,279
Due to Other Funds	2,770	53	2,823
Total Current Liabilities	<u>26,000</u>	<u>19,102</u>	<u>45,102</u>
Non-Current Liabilities			
Bonds Payable--Due Within One Year	161,000	106,000	267,000
Bonds Payable--Due in More Than One Year	791,000	3,756,000	4,547,000
Total Non-Current Liabilities	<u>952,000</u>	<u>3,862,000</u>	<u>4,814,000</u>
Total Liabilities	<u>978,000</u>	<u>3,881,102</u>	<u>4,859,102</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	2,023,457	792,112	2,815,569
Restricted	408,720	416,117	824,837
Unrestricted	635,398	967,268	1,602,666
Total Net Position	<u>\$ 3,067,575</u>	<u>\$ 2,175,497</u>	<u>\$ 5,243,072</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, 2021

EXHIBIT F

	ENTERPRISE FUNDS		Total Enterprise Funds
	Major Funds		
	Sewer	Water	
Operating Revenues			
Charges for Services	\$ 603,538	\$ 542,767	\$ 1,146,305
Total Operating Revenues	603,538	542,767	1,146,305
Operating Expenses			
Wages and Fringes	83,497	89,356	172,853
Operating Expenses	33,087	29,929	63,016
Repairs and Maintenance	15,203	7,736	22,939
Contracted Services	59,969	14,261	74,230
Utilities	13,315	19,946	33,261
Insurance	2,046	5,193	7,239
Depreciation	163,538	178,874	342,412
Total Operating Expenses	370,655	345,295	715,950
Operating Income (Loss)	232,883	197,472	430,355
Non-Operating Revenues (Expenses)			
Interest Earned on Investments	2,531	3,229	5,760
Interest Expense	(42,890)	(110,340)	(153,230)
Total Non-Operating Revenues (Expenses)	(40,359)	(107,111)	(147,470)
Change in Net Position	192,524	90,361	282,885
Total Net Position--Beginning	2,875,051	2,085,136	4,960,187
Total Net Position--Ending	\$ 3,067,575	\$ 2,175,497	\$ 5,243,072

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, 2021

EXHIBIT G

	<u>ENTERPRISE FUNDS</u>		Total Enterprise Funds
	Major Funds		
	<u>Sewer</u>	<u>Water</u>	
Cash Flows From Operating Activities			
Cash Received From Customers	\$ 598,565	\$ 539,952	\$ 1,138,517
Cash Payments to Employees for Services and Benefits	(83,497)	(89,356)	(172,853)
Cash Payments to Suppliers for Goods and Services	(107,487)	(62,278)	(169,765)
Net Cash Provided by Operating Activities	<u>407,581</u>	<u>388,318</u>	<u>795,899</u>
Cash Flows From Non-Operating Activities			
Due To/From Other Funds	<u>2,621</u>	<u>(5,591)</u>	<u>(2,970)</u>
Net Cash Flows From Non-Operating Activities	<u>2,621</u>	<u>(5,591)</u>	<u>(2,970)</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition of Capital Assets	(57,182)	(86,160)	(143,342)
Reduction of Debt	(155,000)	(104,000)	(259,000)
Interest Paid on Bonds	(42,890)	(110,340)	(153,230)
Net Cash Provided by Capital and Related Financing Activities	<u>(255,072)</u>	<u>(300,500)</u>	<u>(555,572)</u>
Cash Flows From Investing Activities			
Interest on Cash Equivalents	<u>2,531</u>	<u>3,229</u>	<u>5,760</u>
Net Cash Provided by Investing Activities	<u>2,531</u>	<u>3,229</u>	<u>5,760</u>
Net Increase (Decrease) in Cash and Cash Equivalents	157,661	85,456	243,117
Cash and Cash Equivalents at Beginning of Year	<u>891,247</u>	<u>1,296,571</u>	<u>2,187,818</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,048,908</u>	<u>\$ 1,382,027</u>	<u>\$ 2,430,935</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 232,883	\$ 197,472	\$ 430,355
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	163,538	178,874	342,412
(Increase) Decrease in Accounts Receivable	(4,973)	(2,815)	(7,788)
Increase (Decrease) in Accounts Payable	<u>16,133</u>	<u>14,787</u>	<u>30,920</u>
Net Cash Provided by Operating Activities	<u>\$ 407,581</u>	<u>\$ 388,318</u>	<u>\$ 795,899</u>

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, 2021

EXHIBIT H

	<u>Downtown Development Authority</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 108,196
Total Assets	<u>108,196</u>
<u>LIABILITIES</u>	
Accounts Payable	9,802
Due To Other Funds--Primary Government	<u>166</u>
Total Liabilities	<u>9,968</u>
<u>NET POSITION</u>	
Restricted	<u>98,228</u>
Total Net Position	<u><u>\$ 98,228</u></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, 2021

EXHIBIT I

	Downtown Development Authority
Program Expenses	
Public Works	<u>\$ 17,553</u>
Total Program Expenses	<u>17,553</u>
Program Revenue	
Charges for Services	<u>245</u>
Total Program Revenue	<u>245</u>
Net Program Revenue	<u>(17,308)</u>
General Revenue	
Taxes	<u>32,251</u>
Total General Revenue	<u>32,251</u>
Change in Net Position	<u>14,943</u>
Net Position	
Beginning of Year	<u>83,285</u>
End of Year	<u><u>\$ 98,228</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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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

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.

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.

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.

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.

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2021

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

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.
- 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.

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

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

- 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 \$264,456 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.

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.

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

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

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			
Community and Economic Development			
Planning	\$ 29,665	\$ 35,612	\$ (5,947)
Local Street Fund			
Administrative	8,417	8,844	(427)

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:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Cash and Cash Equivalents	\$ 2,649,816	\$ 1,606,098	\$ 4,255,914	\$ 108,196
Restricted Cash	-	824,837	824,837	-
Total	<u>\$ 2,649,816</u>	<u>\$ 2,430,935</u>	<u>\$ 5,080,751</u>	<u>\$ 108,196</u>

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

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 \$4,975,672, of which \$1,844,391 is covered by Federal depository and NCUA insurance. The remaining \$3,131,281 is uncollateralized. The bank balance of the component unit's deposits is \$108,196, 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, 2021, the reserve cash balances are \$408,720 and \$416,117 in the Sewer and Water funds, respectively.

NOTE D--PROPERTY TAXES

The Village's 2021 ad valorem tax was levied and collectible on July 1, 2021. 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 2021 State taxable valuation amounted to \$43,172,670, on which ad valorem taxes levied for all Village purposes were \$502,142. There were 8.6585 mills for general operations and 3.4632 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.

NOTE E--RECEIVABLES

Accounts Receivable

Accounts receivable 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 \$21,157 and the receivable for the Water fund is \$14,895.

The General fund has a receivable of \$4,141 for a franchise fee due from the local cable company at September 30, 2021.

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

NOTE E—RECEIVABLES (Continued)

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 at September 30, 2021, consist of uncollected real property taxes and special assessments levied July 1, 2021, which had not been collected by November 30, 2021. The delinquent property taxes for the General and Municipal Street funds are \$44,255 and \$17,456, respectively, and the delinquent special assessments for the Rubbish fund are \$11,076. The amount not collected within 60 days is offset by unavailable revenue of \$27,457 for the General fund, \$10,834 for the Municipal Street fund, and \$7,812 in the Rubbish fund in the governmental fund financial statements.

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	<u>\$ 142,651</u>
Total Government	<u>\$ 142,651</u>

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:

	<u>Due to Other Funds</u>						<u>Total</u>
	<u>General Fund</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Municipal Street</u>	<u>Sewer</u>	<u>Water</u>	
<u>Due From Other Funds</u>							
General Fund	\$ -	\$ 100	\$ 119	\$ 723	\$ 2,770	\$ -	\$ 3,712
Major Street Fund	-	-	386	-	-	-	386
Sewer Fund	-	-	-	-	-	53	53
Water Fund	5,565	-	-	-	-	-	5,565
Total	<u>\$ 5,565</u>	<u>\$ 100</u>	<u>\$ 505</u>	<u>\$ 723</u>	<u>\$ 2,770</u>	<u>\$ 53</u>	<u>\$ 9,716</u>

The interfund balances between funds are for amounts deposited/expended from funds waiting to be transferred. 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 \$166.

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

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	\$ 275,914	\$ -	\$ -	\$ 275,914
Total	275,914	-	-	275,914
Capital Assets Being Depreciated				
Land Improvements	474,747	-	-	474,747
Buildings and Building Improvements	308,616	-	-	308,616
Equipment	103,130	23,839	10,816	116,153
Vehicles	235,561	41,554	33,117	243,998
Infrastructure--Roads	1,832,396	208,696	-	2,041,092
Total	2,954,450	274,089	43,933	3,184,606
Less Accumulated Depreciation				
Land Improvements	88,284	18,300	-	106,584
Buildings and Building Improvements	241,528	10,611	-	252,139
Equipment	55,976	12,626	-	68,602
Vehicles	102,455	29,578	20,422	111,611
Infrastructure--Roads	621,007	91,620	-	712,627
Total	1,109,250	162,735	20,422	1,251,563
Net Capital Assets Being Depreciated	1,845,200	111,354	23,511	1,933,043
Governmental Activities Capital Total				
Capital Assets--Net of Depreciation	\$ 2,121,114	\$ 111,354	\$ 23,511	\$ 2,208,957

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

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	54,517	-	-	54,517
Capital Assets Being Depreciated				
Land Improvements	46,805	-	-	46,805
Buildings and Improvements	85,292	-	-	85,292
Equipment	132,682	50,921	-	183,603
Vehicles	18,750	35,404	-	54,154
Sewer System	6,838,824	-	-	6,838,824
Water System	6,668,602	57,017	-	6,725,619
Total	13,790,955	143,342	-	13,934,297
Less Accumulated Depreciation				
Land Improvements	7,020	2,341	-	9,361
Buildings and Improvements	40,475	2,754	-	43,229
Equipment	42,668	15,704	-	58,372
Vehicles	18,750	2,528	-	21,278
Sewer System	3,865,215	153,816	-	4,019,031
Water System	2,042,705	165,269	-	2,207,974
Total	6,016,833	342,412	-	6,359,245
Net Capital Assets Being Depreciated	7,774,122	(199,070)	-	7,575,052
Business-Type Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 7,828,639</u>	<u>\$ (199,070)</u>	<u>\$ -</u>	<u>\$ 7,629,569</u>

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

NOTE G--CAPITAL ASSETS (Continued)

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

Governmental Activities	
General Government	\$ 11,745
Public Safety	20,737
Public Works	110,523
Recreation and Culture	<u>19,730</u>
Total Governmental Activities	<u>\$ 162,735</u>
Business-Type Activities	
Sewer	\$ 163,538
Water	<u>178,874</u>
Total Business-Type Activities	<u>\$ 342,412</u>

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

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:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Installment Purchase Payable for six years at an interest rate of 3.59% due in annual installments of \$20,810.	\$ 20,077	\$ -	\$ (20,077)	\$ -	\$ -
Vested Employee Benefits Payable	-	24,927	(12,419)	12,508	9,381
Total Governmental Activities	<u>\$ 20,077</u>	<u>\$ 24,927</u>	<u>\$ (32,496)</u>	<u>\$ 12,508</u>	<u>\$ 9,381</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.	\$ 265,000	\$ -	\$ (130,000)	\$ 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.	842,000	-	(25,000)	817,000	26,000
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.	3,586,000	-	(74,000)	3,512,000	76,000
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.	380,000	-	(30,000)	350,000	30,000
Total Business-Type Activities	<u>\$ 5,073,000</u>	<u>\$ -</u>	<u>\$ (259,000)</u>	<u>\$ 4,814,000</u>	<u>\$ 267,000</u>

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

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 at September 30, 2021, are as follows:

Fiscal Year	Business-Type Activities		
	Principal	Interest	Total
2022	\$ 267,000	\$ 117,602	\$ 384,602
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
2027-2031	808,000	463,026	1,271,026
2032-2036	780,000	366,938	1,146,938
2037-2041	887,000	282,210	1,169,210
2042-2046	701,000	185,430	886,430
2047-2051	808,000	74,100	882,100
Total	<u>\$ 4,814,000</u>	<u>\$ 1,922,473</u>	<u>\$ 6,736,473</u>

2001 Sewer Clean Water Loan

The 2001 Sanitary Sewer Clean Water Loan was issued to finance a sewer clean water improvement project for the Village. The total bond issue approved by the Michigan Municipal Bond Authority is \$2,155,000 with interest payable at 2.5% per annum with interest payable semi-annually. There is no set interest schedule printed for bond issues because it changes based upon when the payment is delivered.

Fiscal Year	April 1 Principal	April 1 Interest	Total Debt Service
2022	<u>\$ 135,000</u>	<u>\$ 1,625</u>	<u>\$ 136,625</u>
	<u>\$ 135,000</u>	<u>\$ 1,625</u>	<u>\$ 136,625</u>

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

NOTE H--LONG-TERM DEBT (Continued)

2001 Sewer Revenue Bonds

The 2001 Sanitary Sewer System Revenue Bonds were issued in accordance with the provisions of Public Act 185 of 1957, as amended, to finance a sewer system improvement project for the Village. The total bond issue was approved by the U.S. Department of Agriculture (USDA), Rural Development, with interest payable at 4.5% per annum with interest payable semi-annually. There is no set interest schedule printed for bond issues because it changes based upon when the payment is delivered to the USDA.

Fiscal Year	May 1 Principal
2022	\$ 26,000
2023	27,000
2024	28,000
2025	30,000
2026	31,000
2027-2031	177,000
2032-2036	220,000
2037-2041	278,000
	<u>\$ 817,000</u>

2010 Water Revenue Bonds

The 2010 Water System Revenue Bonds were issued in accordance with the provisions of Public Act 185 of 1957, as amended, to finance a water system improvement project for the Village. The total bond issue was approved by the USDA, Rural Development, with interest payable at 3% per annum with interest payable semi-annually.

Fiscal Year	December 1 Principal	December 1 Interest	June 1 Interest	Total
2022	\$ 76,000	\$ 52,680	\$ 51,540	\$ 180,220
2023	78,000	51,540	50,370	179,910
2024	81,000	50,370	49,155	180,525
2025	83,000	49,155	47,910	180,065
2026	85,000	47,910	47,910	180,820
2027-2031	461,000	219,735	219,735	900,470
2032-2036	530,000	183,150	183,150	896,300
2037-2041	609,000	141,105	141,105	891,210
2042-2046	701,000	92,715	92,715	886,430
2047-2051	808,000	37,050	37,050	882,100
	<u>\$ 3,512,000</u>	<u>\$ 925,410</u>	<u>\$ 920,640</u>	<u>\$ 5,358,050</u>

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

NOTE H--LONG-TERM DEBT (Continued)

Water Supply System Revenue Refunding Bonds, Series 2013

In November 2013, the Village issued \$550,000 in Revenue Refunding Bonds with an interest rate ranging from .75% to 4.25% to advance refund \$590,000 of outstanding 1978 and 1992 Series bonds with interest rates of 5% and 6.625%. The Village refunded the 1978 and 1992 Series bonds to reduce its total debt service payments over the next nineteen years by \$131,957.

Fiscal Year	January 1 Principal	January 1 Interest	July 1 Interest	Total
2022	\$ 30,000	\$ 6,066	\$ 5,691	\$ 41,757
2023	25,000	5,691	5,348	36,039
2024	30,000	5,347	4,897	40,244
2025	30,000	4,898	4,418	39,316
2026	35,000	4,417	3,831	43,248
2027-2031	170,000	13,374	10,182	193,556
2032	30,000	638	-	30,638
	<u>\$ 350,000</u>	<u>\$ 40,431</u>	<u>\$ 34,367</u>	<u>\$ 424,798</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, 2021, the Village has an accrued vested employee benefits payable of \$12,508 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 \$27,336 and the Village contributed \$8,075.

VILLAGE OF THREE OAKS

NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2021

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--TAX ABATEMENTS

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

For the fiscal year ended September 30, 2021, the Village abated property taxes totaling \$2,482 under Public Act 198 of 1974, related to industrial facilities, which represents a 50% abatement of the millage rate on certain real and personal properties.

VILLAGE OF THREE OAKS--BERRIEN COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For the Fiscal Year Ended September 30, 2021

EXHIBIT J

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 347,530	\$ 347,600	\$ 360,176	\$ 12,576
Licenses and Permits	15,000	90,700	90,769	69
Federal Grants	-	9,744	9,757	13
State Grants	155,565	161,850	198,374	36,524
Charges for Services	85,000	101,310	109,540	8,230
Fines and Forfeitures	3,000	900	1,007	107
Interest and Rentals	57,900	57,300	59,884	2,584
Other Revenue	162,600	65,959	65,981	22
Total Revenue	826,595	835,363	895,488	60,125
Expenditures				
General Government	139,700	183,978	153,710	30,268
Public Safety	319,950	326,107	294,686	31,421
Public Works	166,055	174,856	153,707	21,149
Community and Economic Development	15,800	30,165	35,612	(5,447)
Recreation and Culture	159,550	55,455	43,026	12,429
Capital Outlay	3,500	65,393	65,393	-
Debt Service	20,810	21,750	20,810	940
Total Expenditures	825,365	857,704	766,944	90,760
Excess of Revenues Over (Under) Expenditures	1,230	(22,341)	128,544	150,885
Other Financing Sources				
Insurance Recoveries	-	22,340	22,341	1
Total Other Financing Sources (Uses)	-	22,340	22,341	1
Net Change in Fund Balance	1,230	(1)	150,885	150,886
Fund Balance--Beginning	1,463,939	1,463,939	1,463,939	-
Fund Balance--Ending	\$ 1,465,169	\$ 1,463,938	\$ 1,614,824	\$ 150,886

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, 2021

EXHIBIT K

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
State Grants				
Michigan Transportation Funds	\$ 91,000	\$ 111,000	\$ 138,733	\$ 27,733
MTF-Snow Funds	-	200	180	(20)
Interest and Rentals	250	550	679	129
Total Revenues	91,250	111,750	139,592	27,842
Expenditures				
Public Works				
Sidewalks	4,000	3,500	-	3,500
Routine Maintenance	34,500	42,700	19,256	23,444
Traffic	4,750	7,250	2,496	4,754
Winter Routine Maintenance	24,800	47,500	27,970	19,530
Administrative	7,700	10,800	8,189	2,611
Total Expenditures	75,750	111,750	57,911	53,839
Excess of Revenues Over (Under) Expenditures	15,500	-	81,681	81,681
Fund Balance--Beginning	264,316	264,316	264,316	-
Fund Balance--Ending	\$ 279,816	\$ 264,316	\$ 345,997	\$ 81,681

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, 2021

EXHIBIT L

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
State Grants				
Michigan Transportation Funds	\$ 50,000	\$ 50,000	\$ 65,253	\$ 15,253
Interest and Rentals	550	550	193	(357)
Total Revenues	<u>50,550</u>	<u>50,550</u>	<u>65,446</u>	<u>14,896</u>
Expenditures				
Public Works				
Sidewalks	1,800	9,300	873	8,427
Routine Maintenance	35,900	51,600	37,161	14,439
Traffic	9,125	3,123	-	3,123
Winter Routine Maintenance	16,400	16,900	13,811	3,089
Administrative	5,800	8,417	8,844	(427)
Capital Outlay	207,489	245,000	208,696	36,304
Total Expenditures	<u>276,514</u>	<u>334,340</u>	<u>269,385</u>	<u>64,955</u>
Excess of Revenues Over (Under) Expenditures	<u>(225,964)</u>	<u>(283,790)</u>	<u>(203,939)</u>	<u>79,851</u>
Other Financing Sources (Uses)				
Interfund Transfers In	<u>227,350</u>	<u>283,790</u>	<u>142,651</u>	<u>(141,139)</u>
Total Other Financing Sources (Uses)	<u>227,350</u>	<u>283,790</u>	<u>142,651</u>	<u>(141,139)</u>
Net Change in Fund Balance	1,386	-	(61,288)	(61,288)
Fund Balance--Beginning	<u>88,351</u>	<u>88,351</u>	<u>88,351</u>	<u>-</u>
Fund Balance--Ending	<u>\$ 89,737</u>	<u>\$ 88,351</u>	<u>\$ 27,063</u>	<u>\$ (61,288)</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, 2021

EXHIBIT M

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$ 131,000	\$ 131,000	\$ 141,966	\$ 10,966
Interest and Rentals	250	250	1,044	794
Total Revenues	<u>131,250</u>	<u>131,250</u>	<u>143,010</u>	<u>11,760</u>
Expenditures				
Public Works	<u>33,900</u>	<u>33,900</u>	<u>23,468</u>	<u>10,432</u>
Total Expenditures	<u>33,900</u>	<u>33,900</u>	<u>23,468</u>	<u>10,432</u>
Excess of Revenues Over (Under) Expenditures	<u>97,350</u>	<u>97,350</u>	<u>119,542</u>	<u>22,192</u>
Other Financing Sources (Uses)				
Interfund Transfers In	130,000	185,000	-	(185,000)
Interfund Transfers (Out)	<u>(227,350)</u>	<u>(282,350)</u>	<u>(142,651)</u>	<u>139,699</u>
Total Other Financing Sources (Uses)	<u>(97,350)</u>	<u>(97,350)</u>	<u>(142,651)</u>	<u>(45,301)</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>(23,109)</u>	<u>(23,109)</u>
Fund Balance--Beginning	<u>457,875</u>	<u>457,875</u>	<u>457,875</u>	<u>-</u>
Fund Balance--Ending	<u>\$ 457,875</u>	<u>\$ 457,875</u>	<u>\$ 434,766</u>	<u>\$ (23,109)</u>

VILLAGE OF THREE OAKS--BERRIEN COUNTY
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 September 30, 2021

EXHIBIT N

	<u>SPECIAL REVENUE</u>			<u>Total</u>
	<u>Rubbish</u>	<u>Building Department</u>	<u>Drug Forfeiture</u>	
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 116,915	\$ 35,165	\$ 193	\$ 152,273
Delinquent Special Assessments Receivable	11,076	-	-	11,076
Total Assets	<u>\$ 127,991</u>	<u>\$ 35,165</u>	<u>\$ 193</u>	<u>\$ 163,349</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>				
Accounts Payable	\$ 7,987	\$ 516	\$ -	\$ 8,503
Total Liabilities	<u>7,987</u>	<u>516</u>	<u>-</u>	<u>8,503</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue	<u>7,812</u>	<u>-</u>	<u>-</u>	<u>7,812</u>
Fund Balances				
Restricted	<u>112,192</u>	<u>34,649</u>	<u>193</u>	<u>147,034</u>
Total Fund Balances	<u>112,192</u>	<u>34,649</u>	<u>193</u>	<u>147,034</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 127,991</u>	<u>\$ 35,165</u>	<u>\$ 193</u>	<u>\$ 163,349</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, 2021

EXHIBIT O

	SPECIAL REVENUE			Total
	Rubbish	Building Department	Drug Forfeiture	
Revenues				
Special Assessments	\$ 101,513	\$ -	\$ -	\$ 101,513
Licenses and Permits	-	23,380	-	23,380
Interest and Rentals	208	57	-	265
Total Revenues	<u>101,721</u>	<u>23,437</u>	<u>-</u>	<u>125,158</u>
Expenditures				
Public Safety	-	23,340	-	23,340
Public Works	98,647	-	-	98,647
Total Expenditures	<u>98,647</u>	<u>23,340</u>	<u>-</u>	<u>121,987</u>
Excess of Revenue Over (Under)				
Expenditures	3,074	97	-	3,171
Fund Balance--Beginning	<u>109,118</u>	<u>34,552</u>	<u>193</u>	<u>143,863</u>
Fund Balance--Ending	<u>\$ 112,192</u>	<u>\$ 34,649</u>	<u>\$ 193</u>	<u>\$ 147,034</u>

VILLAGE OF THREE OAKS--BERRIEN COUNTY
SCHEDULE OF REVENUES BY SOURCE
BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended September 30, 2021

EXHIBIT P

<u>REVENUES</u>	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
Property Taxes				
Current Taxes	\$ 317,000	\$ 317,000	\$ 319,894	\$ 2,894
Delinquent Taxes	25,000	25,000	34,169	9,169
Interest and Penalties	1,030	1,100	1,124	24
Administrative Fees	4,500	4,500	4,989	489
Total Property Taxes	<u>347,530</u>	<u>347,600</u>	<u>360,176</u>	<u>12,576</u>
Licenses and Permits				
Marijuana Permits	-	70,000	70,000	-
Franchise Fees	15,000	17,400	17,469	69
Special Land Use Permit Fees	-	3,300	3,300	-
Total Licenses and Permits	<u>15,000</u>	<u>90,700</u>	<u>90,769</u>	<u>69</u>
Federal Grants				
CARES Grants	-	9,744	9,757	13
Total Federal Grants	<u>-</u>	<u>9,744</u>	<u>9,757</u>	<u>13</u>
State Grants				
Liquor License	10,315	2,600	2,527	(73)
Police Training Grant	250	250	250	-
Revenue Sharing	145,000	159,000	195,597	36,597
Total State Grants	<u>155,565</u>	<u>161,850</u>	<u>198,374</u>	<u>36,524</u>
Charges for Services				
Zoning Application Fees	-	1,360	1,363	3
Site Plan Review	-	1,500	1,500	-
Zoning Board of Appeals Fees	-	1,100	1,100	-
Planning Commission Escrow Fees	-	8,400	8,400	-
Police	84,000	86,000	94,081	8,081
Park	1,000	1,500	1,700	200
Grass Cutting/Snow Plowing	-	850	850	-
Other Charges for Services	-	600	546	(54)
Total Charges for Services	<u>85,000</u>	<u>101,310</u>	<u>109,540</u>	<u>8,230</u>
Fines and Forfeitures				
Traffic and Ordinance Fines	3,000	900	1,007	107
Total Fines and Forfeitures	<u>3,000</u>	<u>900</u>	<u>1,007</u>	<u>107</u>
Interest and Rentals				
Vehicle Rental	30,000	37,000	38,567	1,567
Village Rental	12,900	13,300	13,300	-
Interest	15,000	7,000	8,017	1,017
Total Interest and Rentals	<u>57,900</u>	<u>57,300</u>	<u>59,884</u>	<u>2,584</u>
Other Revenue				
Local Revenue Sharing--Casino Funds	70,000	55,200	55,220	20
Private Donations	92,400	8,900	8,900	-
Reimbursements	200	1,859	1,861	2
Total Other Revenue	<u>162,600</u>	<u>65,959</u>	<u>65,981</u>	<u>22</u>
Total Revenue	<u>826,595</u>	<u>835,363</u>	<u>895,488</u>	<u>60,125</u>
Other Financing Sources				
Insurance Recoveries	-	22,340	22,341	1
Total Other Financing Sources	<u>-</u>	<u>22,340</u>	<u>22,341</u>	<u>1</u>
Total Revenues and Other Financing Sources	<u>\$ 826,595</u>	<u>\$ 857,703</u>	<u>\$ 917,829</u>	<u>\$ 60,126</u>

VILLAGE OF THREE OAKS--BERRIEN COUNTY
 SCHEDULE OF EXPENDITURES BY ACTIVITY
 BUDGET AND ACTUAL--GENERAL FUND
 For the Fiscal Year Ended September 30, 2021

EXHIBIT Q

<u>EXPENDITURES</u>	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
General Government				
Village Council	\$ 10,450	\$ 11,600	\$ 9,678	\$ 1,922
President	3,465	3,500	2,579	921
Village Manager	32,050	33,010	26,745	6,265
Clerk	25,860	35,252	32,506	2,746
Accounting Fees	7,000	5,000	4,888	112
Treasurer	19,325	24,024	22,966	1,058
Elections	500	-	-	-
Building and Grounds	1,300	2,600	2,120	480
Attorney Fees	3,000	22,000	16,701	5,299
Other General Government	36,750	46,992	35,527	11,465
Total General Government	<u>139,700</u>	<u>183,978</u>	<u>153,710</u>	<u>30,268</u>
Public Safety				
Police	269,650	275,807	247,136	28,671
Fire	50,300	50,300	47,550	2,750
Total Public Safety	<u>319,950</u>	<u>326,107</u>	<u>294,686</u>	<u>31,421</u>
Public Works				
Department of Public Works	133,850	138,952	119,865	19,087
Drain at Large	15,500	16,050	16,005	45
Street Lights	16,500	19,650	17,633	2,017
Sewer	103	102	102	-
Water	103	102	102	-
Total Public Works	<u>166,055</u>	<u>174,856</u>	<u>153,707</u>	<u>21,149</u>
Community and Economic Development				
Planning	15,800	29,665	35,612	(5,947)
Community and Economic Development	-	500	-	500
Total Community and Economic Development	<u>15,800</u>	<u>30,165</u>	<u>35,612</u>	<u>(5,447)</u>
Recreation and Culture				
Parks and Recreation	159,550	55,455	43,026	12,429
Total Recreation and Culture	<u>159,550</u>	<u>55,455</u>	<u>43,026</u>	<u>12,429</u>
Capital Outlay	<u>3,500</u>	<u>65,393</u>	<u>65,393</u>	<u>-</u>
Total Capital Outlay	<u>3,500</u>	<u>65,393</u>	<u>65,393</u>	<u>-</u>
Debt Service				
Principal	20,077	21,000	20,077	923
Interest	733	750	733	17
Total Debt Service	<u>20,810</u>	<u>21,750</u>	<u>20,810</u>	<u>940</u>
Total Expenditures	<u>\$ 825,365</u>	<u>\$ 857,704</u>	<u>\$ 766,944</u>	<u>\$ 90,760</u>



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

September 9, 2022

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

Independent Auditor's Report

RE: 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 *Government Auditing Standards*

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 as of and for the year ended September 30, 2021, 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 September 9, 2022.

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 the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of 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. 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 Finding 2021-001 and 2021-002 to be material weaknesses.

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 one instance of non-compliance or other matters that are required to be reported under *Government Auditing Standards* listed as Finding 2021-003.

Village of Three Oaks' Responses to Findings

The Village of Three Oaks' responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Village of Three Oaks' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

September 9, 2022

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, 2021, and have issued our report thereon dated September 9, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *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 March 2, 2022. 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. No new accounting policies were adopted, and the application of existing policies was not changed during the fiscal year ended September 30, 2021. 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 estimate affecting the governmental activities in the government-wide statements was depreciation.

Management's estimate of the depreciation is based on the straight-line method for capital assets. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements, taken as a whole.

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

Difficulties Encountered in Performing the Audit

We encountered no 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 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 September 9, 2022.

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 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, 2021

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 2021-001 (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, 2021

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 2021-002

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.

NON-COMPLIANCE WITH STATE STATUTES

Our review and study for compliance with State statutes and regulations revealed the following non-compliance procedures:

VILLAGE OF THREE OAKS

SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended September 30, 2021

Expenditures in Excess of Appropriations

Finding 2021-003

Condition: Our examination of procedures used by the Village to adopt and maintain operating budgets for budgetary funds revealed the following instances of non-compliance with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act.

The Village's 2021 General Appropriations Act (budget) provided for expenditures of the General fund and Special Revenue funds to be controlled at the activity level. As detailed below, actual 2021 expenditures exceeded the Village Council's approved budget allocations for the following activities.

Fund, Function and Activity	<u>Budget</u>	<u>Actual</u>	<u>Excess Expenditures</u>
General Fund			
Community and Economic Development			
Planning	\$ 29,665	\$ 35,612	\$ (5,947)
Local Street Fund			
Administrative	8,417	8,844	(427)

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Section 17 of Public Act 2 of 1968.

Cause: The Village Council did not adjust the budget sufficiently to avoid the overages.

Effect: The Village is in non-compliance with State statute.

Directive: We direct the Village Council to develop budgetary control procedures which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof.

Management's Response: The Village will continue to monitor year end activity in the future to try and prevent similar overages in the future.