

Village of Grass Lake

Financial Statements
And Independent Auditors' Report

Year Ended February 28, 2022

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WILLIS & JURASEK

CPAS AND CONSULTANTS

Independent Auditors' Report

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Village of Grass Lake as of and for the year ended February 28, 2022, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Grass Lake as of February 28, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Village of Grass Lake and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Grass Lake's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

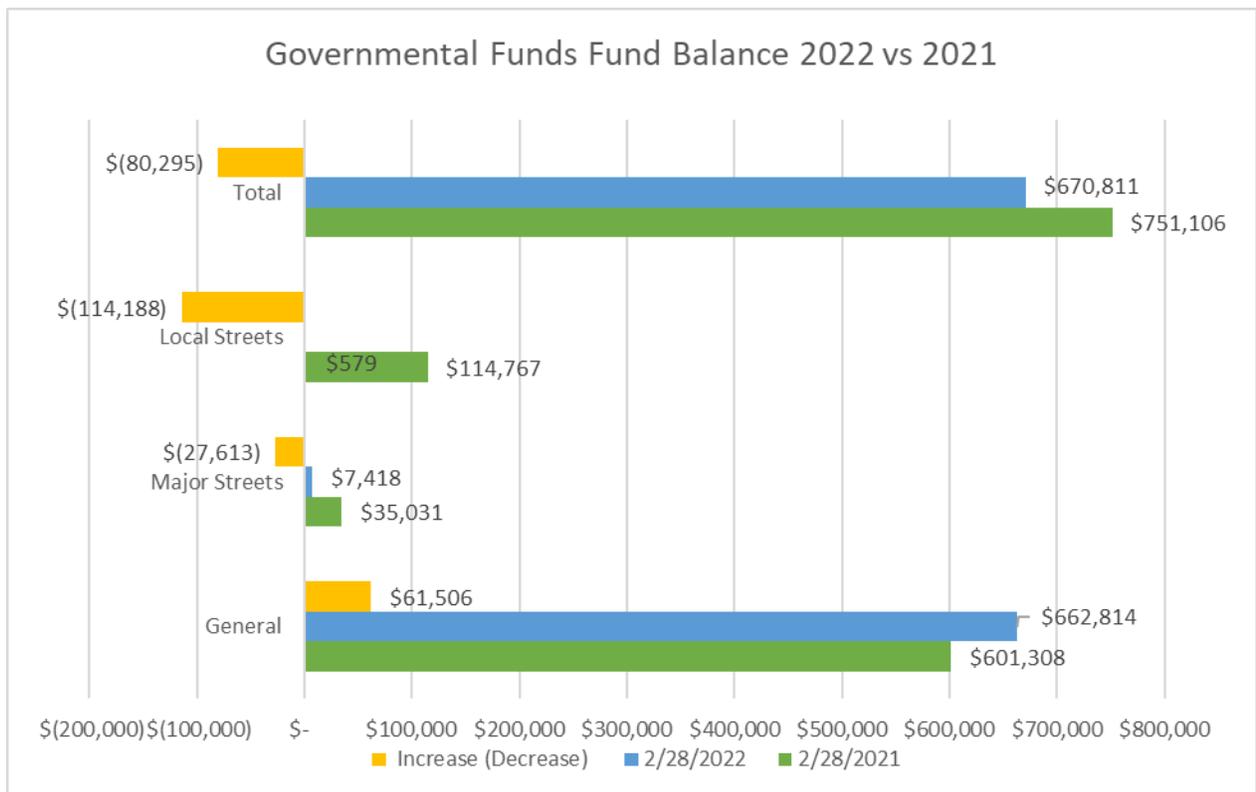
August 12, 2022

Village of Grass Lake
 Management's Discussion and Analysis
 Year Ended February 28, 2022

As management of the **Village of Grass Lake**, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the year ended February 28, 2022.

The Village as a Whole

Over the past year, our governmental activities net position has decreased approximately \$72,117 primarily due to planned spending on Major and Local Streets. Michigan Avenue, N. Union, S. Union, and Watson Street were the primary renovation projects during the fiscal year. For the three main governmental funds of General Fund, Major Streets, and Local Streets, below is a summary of each fund's ending balance and the increase or decrease for the year:



As the national economy has continued to grow the property tax base has seen a steady increase and the 2021 taxable value climbed by 2% to \$34,683,429. As properties continue to be sold at higher prices relative to the economic downturn from several years ago and the taxable values being uncapped, the Village will continue to see modest increases. A growth in the tax base of approximately 1% (\$346,834) is expected in 2022.

The Sewer Fund decreased by 7.99% (\$101,850) primarily due to depreciation (\$63,759) and increased wastewater treatment costs (\$25,501). Sewer rates will increase from \$46 per REU to \$51 per REU in March 2022.

In 2022 the Water Fund net position increased by 4.2% (\$62,678) primarily due to capital additions (\$166,204) offset by depreciation (\$72,716) and increased maintenance and repairs (\$64,464). Two water mains required repairs in November 2021 and February 2022.

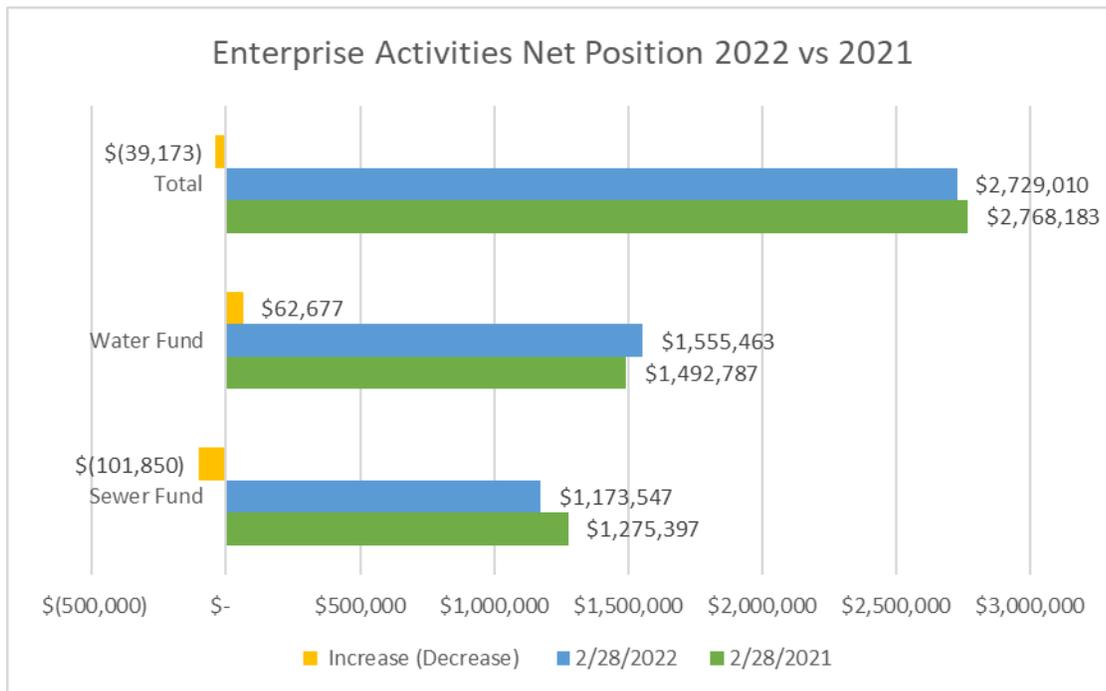
Village of Grass Lake
 Management's Discussion and Analysis
 Year Ended February 28, 2022

The Village as a Whole (Continued)

In 2020 the Village refinanced the 2008 bonds to take advantage of more favorable interest rates. The 2008 bonds were used for capital improvements in the Local Streets fund (54%) and Water fund (46%). In addition, the Village borrowed \$200,000 in 2020 for additional capital projects including water tower repairs, water line repairs, variable drive pumps, SCADA communications, water meters, and equipment. Capital assets in the Water fund increased by \$166,204 in 2022 from these projects.

In December 2021 the Village received the first installment of \$59,923 from the American Rescue Plan Act of 2021 (ARPA). A second installment of \$60,404 is expected in December 2022. At this point portions have been budgeted for the Sewer Fund. All ARPA portions must be obligated by December 31, 2024.

In planning for future investments in our infrastructure, the Village contracted with an engineering consultant to implement a capital improvement plan for our water and sewer systems. The capital improvement plan forecasts a major paint project for the water tower in 2025. Upon termination of the 2002 water bonds in 2023, cash flow from water usage will help finance that significant repair. The water tower was last inspected in the fall of 2018 and is scheduled to be inspected in the summer of 2022.



One of the primary directives from the Village Council upon the 2017 millage rate increase for streets and highways was to upgrade equipment for the DPW Department. To that extent, we invested in our equipment fleet (trucks and snow removal equipment) by approximately \$128,000 in 2022. Additional investments in equipment are planned annually.

In 2018 a 10-year street repaving strategy was developed, funded by local taxes and Act 51 road monies from the State of Michigan. Replacement of the Lakeside Drive culvert (\$25,000) with funding provided by the Grass Lake Downtown Development Authority (DDA) and additional repairs to Lakeside Drive (\$30,000) are on slate for 2022 with funding from a Michigan Department of Transportation TED-B grant.

The Grass Lake DDA has been instrumental in providing funds, along with support from a local foundation, for the construction in 2017 of an events park pavilion in the heart of the Village. In the past few years, the Village secured approval to become a Redevelopment Ready Community (RRC) and is participating in an MEDC certification process for developing our downtown business district.

Village of Grass Lake
Management's Discussion and Analysis
Year Ended February 28, 2022

The Village as a Whole (Continued)

As part of that process, the DDA provided additional funding to qualify for a Patronicity crowd funding match that raised a total of \$100,000 for additional improvements to the events park pavilion. This facility is now utilized by the Farmers Market on a weekly basis along with a bi-weekly concert in the park during the summer months. In the spring of 2022 Phase 3 construction of public restrooms is scheduled to be completed. This is a \$123,000 project that benefits the entire surrounding community. Funding is provided by the Michigan Arts & Culture Council, the Grass Lake DDA, the Grass Lake Farmer's Market, the Grass Lake Copper Nail, and the 5 Healthy Towns organization.

In addition, a parking lot study is in progress to enhance utilization of the events park pavilion. Additional parking spaces on Brown Street and possibly other locations should be finalized soon. Funding sources will be determined at that time.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include legislative, general government, public works, parks and recreation, and community and economic development. The business-type activities are water and sewer. The government-wide financial statements can be found on pages 1-2 of this report.

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

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

Village of Grass Lake
Management's Discussion and Analysis
Year Ended February 28, 2022

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

The Village maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major street and local street, each of which are considered to be major funds. The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 3-6 of this report.

Proprietary Funds. The Village maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its sanitary sewer and water distribution systems, as well as for building inspection activities. *Internal service funds* account for operations that provide services for equipment rental and accumulate and allocate costs internally among the Village's various functions. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for three major enterprise funds; water, sewer, and building inspection, plus the internal service funds. The basic proprietary fund financial statements can be found on pages 7-9 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Village does not maintain any fiduciary funds at this time.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 10-21 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain other information. This includes comparisons from budgeted amounts to actual amounts in the major governmental funds and debt schedules, which can be found on pages 22-26 of this report.

Village of Grass Lake
Management's Discussion and Analysis
Year Ended February 28, 2022

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village of Grass Lake, assets and deferred outflows exceeded liabilities and deferred inflows by \$4,038,234 at the close of the most recent fiscal year.

At the close of the latest fiscal year, the majority of the Village's balance of net position is reflected in its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

In a condensed format, the table below shows net position as of each fiscal year-end:

	Governmental Activities		Business-Type Activities	
	2022	2021	2022	2021
Non-capital assets	\$ 840,147	\$ 897,861	\$ 241,228	429,208
Capital assets	988,441	951,415	3,475,252	3,445,523
Total assets	<u>1,828,588</u>	<u>1,849,276</u>	<u>3,716,480</u>	<u>3,874,731</u>
Current liabilities	209,361	207,085	513,034	457,966
Non-current liabilities	318,738	282,460	466,396	630,252
Total liabilities	<u>528,099</u>	<u>489,545</u>	<u>979,430</u>	<u>1,088,218</u>
Net position:				
Invested in capital assets- net of related debt	671,530	671,061	3,008,856	2,815,271
Restricted	7,997	160,529	-	-
Unrestricted	620,962	528,141	(271,806)	(28,758)
Total net position	<u>\$ 1,300,489</u>	<u>\$ 1,359,731</u>	<u>\$2,737,050</u>	<u>\$ 2,786,513</u>

The following table shows the changes in net position for each fiscal year.

	Governmental Activities		Business-Type Activities	
	2022	2021	2022	2021
Program revenues:				
Charges for services	\$ 7,624	\$ 12,495	\$ 780,299	\$ 746,852
Operating grants	180,014	160,442	-	-
General Revenues:				
Property taxes	290,559	279,505	-	-
Unrestricted grants	150,122	110,680	-	-
Interest income and other	28,838	43,494	3,068	75,918
Internal activities	22,695	29,250	15,000	15,000
Total revenues	<u>679,852</u>	<u>635,866</u>	<u>798,367</u>	<u>837,770</u>

Village of Grass Lake
Management's Discussion and Analysis
Year Ended February 28, 2022

	Governmental Activities		Business-Type Activities	
	2022	2021	2022	2021
Program expenses:				
Legislative	21,360	15,276	-	-
General government	248,085	231,340	-	-
Public safety	40,093	38,924	-	-
Public works	429,726	225,842	-	-
Culture and recreation	3,258	1,766	-	-
Community and economic dev.	4,606	8,510	-	-
Interest and debt costs	4,841	11,448	-	-
Water	-	-	300,889	267,892
Sewer	-	-	525,505	446,479
Building inspection	-	-	8,563	6,009
Total expenses	<u>751,969</u>	<u>533,106</u>	<u>834,957</u>	<u>720,380</u>
Changes in net position	<u>\$ (72,117)</u>	<u>\$ 102,760</u>	<u>\$ (36,590)</u>	<u>\$ 117,390</u>

Governmental Activities

Total revenues have increased significantly in relation to the governmental activities for three reasons. The first is that state shared revenue continued to climb upwards statewide for both general operations and for the street funds. The second reason is that an additional property tax millage was levied for highways and streets that brought in an additional \$60,000 of revenue. The third reason was that the first phase of the Events Park pavilion was completed which was contributed as revenue by Grass Lake Township with an estimated value of \$115,000. The culmination of these factors is that the net cash position of the Village has increased significantly over the past year. As fund reserves increase the Village will be better situated to address any emergency financial needs and implement road maintenance projects.

Business-Type Activities

The Village's business-type activities consist primarily of the Water and Sewer Enterprise Funds. The Village provides water and sewer service to approximately 99% of the Village residents. With the implementation of a capital improvement plan at the beginning of 2018, the rate increases adopted in 2016 for water and sewer services have been factored to develop a schedule of repairs and replacement of key components to help ensure a reliable system. Future infrastructure investments such as the painting of the water tower, a cost that could be in the \$300,000 range, are planned for completion as debt obligations are retired to minimize the need for increasing service charges. This plan is designed to mitigate the past reliance on general fund transfers to stabilize the Water and Sewer Funds.

The Building Inspection Fund is the smallest of the Village's business-type funds.

General Fund Budgetary Highlights

Over the course of the year, approximately quarterly, the Village Manager recommends amendments to the budget to take into account unforeseen events happening during the year.

Village of Grass Lake
Management's Discussion and Analysis
Year Ended February 28, 2022

Capital Asset and Debt Administration

At the end of the 2021/2022 fiscal year, the Village had a total investment in capital assets for its governmental and business-type activities of \$4,463,693, which is made up of a broad range of capital assets, including buildings, water and sewer structures, both above and below ground, and significant investments in streets.

The following table summarizes the fixed assets of the Village at each fiscal year-end:

	Governmental Activities		Business-Type Activities	
	2022	2021	2022	2021
Machinery and equipment	\$ 583,005	\$ 454,457	\$ 60,915	\$ 60,915
Buildings and improvements	279,994	279,994	-	-
Distribution and collection systems	-	-	6,250,540	6,084,336
Infrastructure	1,641,938	1,611,153	-	-
Land	67,136	67,136	36,000	36,000
Accumulated depreciation	<u>(1,583,632)</u>	<u>(1,461,326)</u>	<u>(2,872,203)</u>	<u>(2,735,728)</u>
Net capital assets	<u>\$ 988,441</u>	<u>\$ 951,414</u>	<u>\$3,475,252</u>	<u>\$ 3,445,523</u>

Most of the indebtedness is chargeable to the business-type activities.

The following table summarizes the debt outstanding at each fiscal year-end:

	Governmental Activities		Business-Type Activities	
	2022	2021	2022	2021
General obligation bonds	\$ 190,620	\$ 219,780	\$ 466,396	\$ 630,252
Notes payable	126,291	60,574	-	-
Total long-term debt	<u>\$ 316,911</u>	<u>\$ 280,354</u>	<u>\$ 466,396</u>	<u>\$ 630,252</u>

The Village's total debt decreased by \$127,299.

Economic Factors and Next Year's Budgets and Rates

With the improving national economy and increased revenues at the state level the Village will receive additional funding for roads and modest increases for constitutional state shared revenue. Additional information related to anticipated events is included above in The Village as a Whole section.

Contacting the Village Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village office at 119 North Lake Street, Grass Lake, MI 49240.

Village of Grass Lake

Statement of Net Position

February 28, 2022

	Primary Government			Component Unit
	Governmental	Business-type	Total	Downtown Development Authority
	Activities	Activities		
Assets:				
Cash and cash equivalents	\$ 363,406	\$ 25,549	\$ 388,955	\$ 190,725
Restricted cash	-	59,936	59,936	-
Receivables	85,063	130,056	215,119	69,067
Internal balances	391,678	-	391,678	-
Inventory	-	25,687	25,687	-
Capital assets:				
Non-depreciable assets	67,136	36,000	103,136	50,000
Depreciable assets, net	921,305	3,439,252	4,360,557	55,478
Total assets	<u>1,828,588</u>	<u>3,716,480</u>	<u>5,545,068</u>	<u>365,270</u>
Liabilities:				
Accounts payable	25,058	20,324	45,382	-
Accrued expenses	12,673	1,618	14,291	-
Accrued interest	1,827	3,640	5,467	-
Due to other governmental units	-	35,852	35,852	-
Internal balances	-	391,678	391,678	-
Unearned revenue	171,630	59,922	231,552	-
Noncurrent liabilities:				
Due within one year	55,944	163,396	219,340	-
Due in more than one year	260,967	303,000	563,967	-
Total liabilities	<u>528,099</u>	<u>979,430</u>	<u>1,507,529</u>	<u>-</u>
Net Position:				
Invested in capital assets, net of related debt	671,530	3,008,856	3,680,386	105,478
Restricted for special revenue	7,997	-	7,997	-
Unrestricted	620,962	(271,806)	349,156	259,792
Total net position	<u>\$ 1,300,489</u>	<u>\$ 2,737,050</u>	<u>\$ 4,037,539</u>	<u>\$ 365,270</u>

See Notes to Financial Statements.

Village of Grass Lake
Statement of Activities
Year Ended February 28, 2022

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>			<u>Component Unit</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>DDA</u>
Primary Government							
Governmental Activities:							
Legislative	\$ 21,360	\$ -	\$ -	\$ (21,360)	\$ -	\$ (21,360)	
General government	248,085	7,624	-	(240,461)	-	(240,461)	
Public safety	40,093	-	-	(40,093)	-	(40,093)	
Public works	429,726	-	180,014	(249,712)	-	(249,712)	
Community and economic development	4,606	-	-	(4,606)	-	(4,606)	
Culture and recreation	3,258	-	-	(3,258)	-	(3,258)	
Interest and refinancing of long-term debt	4,841	-	-	(4,841)	-	(4,841)	
Total governmental activities	<u>751,969</u>	<u>7,624</u>	<u>180,014</u>	<u>(564,331)</u>	<u>-</u>	<u>(564,331)</u>	
Business-type Activities:							
Building inspection	8,563	11,145	-	-	2,582	2,582	
Water	300,889	345,542	-	-	44,653	44,653	
Sewer	525,505	423,612	-	-	(101,893)	(101,893)	
Total business-type activities	<u>834,957</u>	<u>780,299</u>	<u>-</u>	<u>-</u>	<u>(54,658)</u>	<u>(54,658)</u>	
Total primary government	<u>\$ 1,586,926</u>	<u>\$ 787,923</u>	<u>\$ 180,014</u>	<u>(564,331)</u>	<u>(54,658)</u>	<u>(618,989)</u>	
Component Units:							
Downtown Development Authority	<u>\$ 40,687</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ (40,687)</u>
General Revenues:							
Property taxes, levied for general purposes				216,301	-	216,301	90,935
Property taxes, levied for specific purposes				74,258	-	74,258	-
State shared revenue				150,122	-	150,122	-
Interest and investment earnings				1,975	158	2,133	112
Other revenues				26,863	2,910	29,773	9,189
Transfers - internal activities				22,695	15,000	37,695	(37,695)
Total general revenues and transfers				<u>492,214</u>	<u>18,068</u>	<u>510,282</u>	<u>62,541</u>
Changes in Net Position				(72,117)	(36,590)	(108,707)	21,854
Net Position - Beginning of Year				<u>1,372,606</u>	<u>2,773,640</u>	<u>4,146,246</u>	<u>343,416</u>
Net Position - End of Year				<u>\$ 1,300,489</u>	<u>\$ 2,737,050</u>	<u>\$ 4,037,539</u>	<u>\$ 365,270</u>

See Notes to Financial Statements

Village of Grass Lake

Balance Sheet
Governmental Funds
February 28, 2022

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 250,799	\$ -	\$ 5,000	\$ 255,799
Receivables:				
Taxes receivable	9,292	-	3,635	12,927
Due from other governmental units	41,537	23,620	6,979	72,136
Due from other funds	390,701	-	-	390,701
Total assets	<u>\$ 692,329</u>	<u>\$ 23,620</u>	<u>\$ 15,614</u>	<u>\$ 731,563</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 14,490	\$ 4,766	\$ 3,041	\$ 22,297
Due to other funds	3,053	11,056	11,673	25,782
Salaries payable	695	380	321	1,396
Other liabilities	11,277	-	-	11,277
Total liabilities	<u>29,515</u>	<u>16,202</u>	<u>15,035</u>	<u>60,752</u>
Fund Balances:				
Restricted	-	7,418	579	7,997
Unassigned	662,814	-	-	662,814
Total fund balances	<u>662,814</u>	<u>7,418</u>	<u>579</u>	<u>670,811</u>
Total liabilities and fund balances	<u>\$ 692,329</u>	<u>\$ 23,620</u>	<u>\$ 15,614</u>	<u>\$ 731,563</u>

Village of Grass Lake

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Position
of Governmental Activities on the Statement of Net Position
February 28, 2022

Total Fund Balances - Governmental Funds	\$ 670,811
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is	\$ 1,641,938
Accumulated depreciation is	<u>(1,071,594)</u>
	570,344
Because revenue is recognized when both measurable and available for governmental funds, payments received up front on long-term leases are included in fund balance. However, in the government-wide statements, lease revenue is recognized on a straight-line basis over the term of the applicable lease.	
Unearned revenue	(171,630)
Long-term liabilities not due and payable in the current period and not reported in the funds:	
Bonds and loans payable	(190,620)
Accrued interest	(1,827)
Internal service funds are used by management to charge the costs of certain equipment usage and administrative costs to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	
Net position of governmental activities accounted for in the internal service funds	<u>423,411</u>
Total Net Position - Governmental Activities	<u><u>\$ 1,300,489</u></u>

See Notes to Financial Statements.

Village of Grass Lake
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended February 28, 2022

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
Revenues:				
Property taxes	\$ 206,658	\$ -	\$ 74,258	\$ 280,916
Licenses and permits	100	-	-	100
Intergovernmental	160,569	138,858	41,156	340,583
Charges for services	6,720	-	-	6,720
Interest and rentals	2,118	16	176	2,310
Other revenue	21,327	-	-	21,327
Total revenues	<u>397,492</u>	<u>138,874</u>	<u>115,590</u>	<u>651,956</u>
Expenditures:				
Legislative	21,360	-	-	21,360
General government	248,085	-	-	248,085
Public safety	40,093	-	-	40,093
Public works	35,584	184,207	183,473	403,264
Culture and recreation	3,258	-	-	3,258
Community and economic development	4,606	-	-	4,606
Debt service:				
Principal, interest, and fees	-	34,280	-	34,280
Total expenditures	<u>352,986</u>	<u>218,487</u>	<u>183,473</u>	<u>754,946</u>
Revenues Over (Under) Expenditures	<u>44,506</u>	<u>(79,613)</u>	<u>(67,883)</u>	<u>(102,990)</u>
Other Financing Sources (Uses):				
Transfers in	17,000	52,000	5,695	74,695
Transfers out	-	-	(52,000)	(52,000)
Total other financing sources (uses)	<u>17,000</u>	<u>52,000</u>	<u>(46,305)</u>	<u>22,695</u>
Net Changes in Fund Balances	61,506	(27,613)	(114,188)	(80,295)
Fund Balances - Beginning of Year	601,308	35,031	114,767	751,106
Fund Balances - End of Year	<u>\$ 662,814</u>	<u>\$ 7,418</u>	<u>\$ 579</u>	<u>\$ 670,811</u>

See Notes to Financial Statements.

Village of Grass Lake

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended February 28, 2022

Net Change in Fund Balances - Total Governmental Funds \$ (80,295)

Amounts reported for governmental activities in the Statement
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the
Statement of Activities, these costs are allocated over their estimated
useful lives as depreciation.

Depreciation expense	\$ (81,199)	
Capital outlay	<u>30,785</u>	(50,414)

Unearned lease revenue in the Statement of Net Position previously provided
fiscal-year resources to the governmental funds and was included in fund balance.
These amounts are recognized when earned over the term of the applicable lease
in the Statement of Activities.

Current year lease revenue earned		5,201
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Bond proceeds and other debt issued are reported as financing sources in
governmental funds and thus contribute to the change in fund balance. In the
Statement of Net Position, however, issuing debt increases long-term liabilities
and does not affect the Statement of Activities. Similarly, repayment of principal
is an expenditure in the governmental funds but reduces the liability in the
Statement of Net Position.

Repayment of principal		29,160
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Some expenses reported in the Statement of Activities do not require the use
of current financial resources and therefore are not reported as expenditures
in the funds.

Decrease in accrued interest payable		279
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An internal service fund is used by management to charge the costs of
certain equipment usage to individual funds. The net revenue (expense)
of the internal service fund is reported with governmental activities on the
Statement of Activities as this most closely aligns with the purpose of the fund.

Change in net position from governmental activities in the internal service funds		<u>23,952</u>
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Change in Net Position of Governmental Activities \$ (72,117)

Village of Grass Lake
Statement of Net Position
Proprietary Funds
February 28, 2022

	Business-Type Activities Enterprise Funds				Governmental Activities
	Enterprise Funds				Internal Service Funds
	Water	Sewer	Building Inspection	Total	
Assets:					
Current assets:					
Cash and cash equivalents	\$ 5,336	\$ 11,253	\$ 8,960	\$ 25,549	\$ 107,607
Restricted cash	-	59,936	-	59,936	-
Accounts receivable	52,969	38,010	-	90,979	-
Due from other governmental units	16,200	22,877	-	39,077	-
Inventory	8,007	17,680	-	25,687	-
Due from other funds	-	-	-	-	44,103
Total current assets	<u>82,512</u>	<u>149,756</u>	<u>8,960</u>	<u>241,228</u>	<u>151,710</u>
Property, plant and equipment:					
Land	36,000	-	-	36,000	67,136
Buildings	-	-	-	-	279,994
Machinery and equipment	-	-	-	-	583,004
Main and accessories	3,092,384	3,219,071	-	6,311,455	-
Less accumulated depreciation	(1,093,106)	(1,779,097)	-	(2,872,203)	(512,037)
Total property, plant and equipment	<u>2,035,278</u>	<u>1,439,974</u>	<u>-</u>	<u>3,475,252</u>	<u>418,097</u>
Total assets	<u>2,117,790</u>	<u>1,589,730</u>	<u>8,960</u>	<u>3,716,480</u>	<u>569,807</u>
Liabilities:					
Current liabilities:					
Current portion of long-term debt	163,396	-	-	163,396	27,324
Accounts payable	1,649	18,675	-	20,324	2,761
Accrued expenses	318	378	922	1,618	-
Accrued interest	3,640	-	-	3,640	-
Due to other governmental units	-	35,852	-	35,852	-
Due to other funds	90,322	301,356	-	391,678	17,344
Unearned revenue	-	59,922	-	59,922	-
Total current liabilities	<u>259,325</u>	<u>416,183</u>	<u>922</u>	<u>676,430</u>	<u>47,429</u>
Noncurrent liabilities:					
Bonds payable	303,000	-	-	303,000	-
Notes payable	-	-	-	-	98,967
Total noncurrent liabilities	<u>303,000</u>	<u>-</u>	<u>-</u>	<u>303,000</u>	<u>98,967</u>
Total liabilities	<u>562,325</u>	<u>416,183</u>	<u>922</u>	<u>979,430</u>	<u>146,396</u>
Net Position:					
Invested in capital assets, net of related debt	1,568,882	1,439,974	-	3,008,856	291,806
Unrestricted	(13,417)	(266,427)	8,038	(271,806)	131,605
Total net position	<u>\$ 1,555,465</u>	<u>\$ 1,173,547</u>	<u>\$ 8,038</u>	<u>\$ 2,737,050</u>	<u>\$ 423,411</u>

See Notes to Financial Statements.

Village of Grass Lake
Statement of Revenues, Expenses
and Changes in Net Position
Proprietary Funds
Year Ended February 28, 2022

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	Water	Sewer	Building Inspection	Total	Internal Service Funds
Operating Revenues:					
Charges for services	\$ 345,542	\$ 423,612	\$ 11,145	\$ 780,299	\$ 130,860
Other revenue	2,900	10	-	2,910	-
Total operating revenues	<u>348,442</u>	<u>423,622</u>	<u>11,145</u>	<u>783,209</u>	<u>130,860</u>
Operating Expenses:					
Personnel services	69,226	48,132	4,543	121,901	-
Payroll taxes and benefits	9,770	10,362	-	20,132	-
Professional services	31,254	34,227	3,900	69,381	-
Contracted services	-	220,238	-	220,238	-
Utilities	17,503	17,903	-	35,406	-
Repairs and maintenance	38,575	101,036	-	139,611	30,621
Insurance and bonds	5,331	5,331	-	10,662	5,331
Operating supplies	18,718	6,225	-	24,943	27,475
Equipment rent	22,690	18,163	-	40,853	-
Office supplies	-	12	-	12	-
Miscellaneous	105	-	120	225	-
Depreciation and amortization	72,716	63,759	-	136,475	41,107
Total operating expenses	<u>285,888</u>	<u>525,388</u>	<u>8,563</u>	<u>819,839</u>	<u>104,534</u>
Operating Income (Loss)	<u>62,554</u>	<u>(101,766)</u>	<u>2,582</u>	<u>(36,630)</u>	<u>26,326</u>
Nonoperating Revenues (Expenses):					
Interest income	125	33	-	158	-
Interest expense	(15,001)	(117)	-	(15,118)	(2,374)
Total nonoperating revenues (expenses)	<u>(14,876)</u>	<u>(84)</u>	<u>-</u>	<u>(14,960)</u>	<u>(2,374)</u>
Net Income (Loss) Before Transfers	<u>47,678</u>	<u>(101,850)</u>	<u>2,582</u>	<u>(51,590)</u>	<u>23,952</u>
Transfers:					
Transfers in	15,000	-	-	15,000	-
Total transfers	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
Changes in Net Position	62,678	(101,850)	2,582	(36,590)	23,952
Net Position - Beginning of Year	<u>1,492,787</u>	<u>1,275,397</u>	<u>5,456</u>	<u>2,773,640</u>	<u>399,459</u>
Net Position - End of Year	<u>\$ 1,555,465</u>	<u>\$ 1,173,547</u>	<u>\$ 8,038</u>	<u>\$ 2,737,050</u>	<u>\$ 423,411</u>

Village of Grass Lake
Statement of Cash Flows
Proprietary Funds
Year Ended February 28, 2022

	Business-Type Activities Enterprise Funds				Governmental Activities
	Building				Internal Service Funds
	Water	Sewer	Inspection	Total	
Cash Flows From Operating Activities:					
Cash received from customers, residents and users	\$ 343,931	\$ 405,550	\$ 11,145	\$ 760,626	\$ 130,860
Payments to suppliers	(135,209)	(391,958)	(4,020)	(531,187)	(61,281)
Payments to employees	(68,430)	(49,029)	(5,165)	(122,624)	-
Net cash provided by (used by) operating activities	<u>140,292</u>	<u>(35,437)</u>	<u>1,960</u>	<u>106,815</u>	<u>69,579</u>
Cash Flows From Capital and Related Financing Activities:					
Purchase of capital assets, net	-	-	-	-	-
Principal and interest on capital debt	(362,404)	(117)	-	(362,521)	(15,660)
Proceeds from issuance of debt	415,280	-	-	415,280	-
Cash received from (paid to) other funds	71,465	(74,589)	-	(3,124)	10,661
Net cash provided by (used by) capital and related financing activities	<u>124,341</u>	<u>(74,706)</u>	<u>-</u>	<u>49,635</u>	<u>(4,999)</u>
Cash Flows from Investing Activities:					
Interest income received	125	33	-	158	-
Net cash provided by investing activities	<u>125</u>	<u>33</u>	<u>-</u>	<u>158</u>	<u>-</u>
Net Increase (Decrease) in Cash	264,758	(110,110)	1,960	156,608	64,580
Cash - Beginning of Year	<u>242,502</u>	<u>78,918</u>	<u>5,626</u>	<u>327,046</u>	<u>101,111</u>
Cash - End of Year	<u>\$ 507,260</u>	<u>\$ (31,192)</u>	<u>\$ 7,586</u>	<u>\$ 483,654</u>	<u>\$ 165,691</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	\$ 62,554	\$ (101,766)	\$ 2,582	\$ (36,630)	\$ 26,326
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	72,716	63,759	-	136,475	41,107
Changes in:					
Accounts receivable	(4,511)	4,172	-	(339)	-
Due from other governmental units	-	(22,244)	-	(22,244)	-
Inventory	(8,507)	-	-	(8,507)	-
Accounts payable	14,594	(26,514)	-	(11,920)	2,146
Accrued expenses	796	(897)	(622)	(723)	-
Due to other governmental units	2,650	48,053	-	50,703	-
Net Cash Provided by (Used in) Operating Activities	<u>\$ 140,292</u>	<u>\$ (35,437)</u>	<u>\$ 1,960</u>	<u>\$ 106,815</u>	<u>\$ 69,579</u>

Village of Grass Lake
Notes to Financial Statements

1. Summary of Significant Accounting Policies

Village Operations and Principles of Preparation

The Village of Grass Lake, Michigan, covers an area of approximately one square mile in Jackson County. The Village operates under a council form of government and provides various services to its residents in many areas including community enrichment and development, human services, water and sewer services, highways and streets, public safety, and general administrative services.

The financial statements of the Village of Grass Lake, Michigan have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

The accompanying financial statements of the Village have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, scope of public service, fiscal dependency, special financial relationships, and whether the financial statements would be misleading if data were not included. Education services are provided through the local school system, which is a separate governmental entity, and therefore, is not represented in the financial statements included herein. The component unit discussed below is included in the Village's reporting entity because the Village is considered to be financially accountable for it.

Component Unit

Downtown Development Authority - The Downtown Development Authority (DDA) was formed to enhance the Village's business district by preservation, creation and implementation of the development plans in the district to be financed by taxes from properties within its district.

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 and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental 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 are 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 revenues.

Village of Grass Lake
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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 revenues 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

Fund-Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are 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, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, 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 government.

Village of Grass Lake
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Fund-Based Statements (Continued) – The government reports the following major governmental funds:

General Fund – This fund is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund – This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the major street functions of the Village.

Local Street Fund – This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the local street functions of the Village.

The government reports the following major proprietary funds:

Water Fund – The Water Fund accounts for the activities of the government’s water production, purification, and distribution systems.

Sewer Fund – The Sewer Fund accounts for the activities of the government’s sewage collection and treatment systems.

Building Inspection Fund – The Building Inspection Fund accounts for the activities of the building inspection department.

Additionally, the government reports the following fund types:

Internal Service Funds – The internal service funds account for operations that provide services (equipment rental) to other departments of the Village on a cost-reimbursement basis.

Additional Financial Statement Presentation Information - 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 water, sewer and building inspection enterprise funds and of the government’s internal service funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Village of Grass Lake
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The Village reports its investments (when applicable) in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Village intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost. The Village had no investments at the current year-end.

State statutes authorize the Village to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Village is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Receivables and Payables – All receivables are reported at their net value. They are reduced, where appropriate, by the estimated portion that is expected to be uncollectible.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund 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 financial statements as "internal balances."

Inventory – Certain purchases reflect items on hand for providing water and sewer services to residents. These items are recorded in inventory at cost when purchased in both the government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

Village of Grass Lake
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued) – Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Machinery and equipment	5 - 20
Infrastructure	20
Systems and improvements	10 - 50

Compensated Absences – Village personnel policies provide full-time employees with one week of vacation leave after one year of employment; two weeks after two years; and three weeks after five years. Sick leave is granted at the rate of one day per month, limited to a maximum of thirty days accumulation. Neither vacation nor sick time is recorded until paid. Current accumulated leave time, which is immaterial, has not been recorded.

Long-Term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are reported as a deferred inflow or outflow of resources, separate from assets and liabilities, over the life of the bonds using the effective interest method. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – The Village has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In accordance with this guidance, fund balances of governmental funds are categorized according to five defined categories of fund balance. These categories consist of nonspendable amounts which are legally or contractually required to be maintained intact, restricted amounts that are constrained for specific purposes set by external parties or law, committed amounts that are constraints set by the highest decision making authority (Village Council) and may only be removed by those individuals, assigned amounts that have an intended but no formal specific purpose, and unassigned amounts which are the residual of the other categories and have no specific purpose.

It is the Village's policy to generally use fund balance in order according to the hierarchy of fund balance categories, from restricted down to unassigned.

Village of Grass Lake
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Property Taxes - The government's property taxes are levied each July 1 on the taxable valuation of property located in the Village as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through September 14; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Jackson County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the Village for 2021 had a taxable value of approximately \$35,000,000 (not including properties subject to Industrial Facilities Tax exemption), representing 50% of estimated current market value. The government's property tax rates for fiscal year 2021-2022 were 7.3415 mills for general operations and an additional 2.6585 mills for highways and streets.

Property taxes for the DDA are derived from a tax increment financing agreement between the DDA and other related taxing districts. Under this arrangement, the DDA receives those property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain properties located in the Village of Grass Lake, which are within the DDA district. Property taxes are recognized in the fiscal year in which they are levied.

No tax abatements were provided to property tax payers which would require disclosure in accordance with GASB Statement No. 77, *Tax Abatement Disclosures*.

Segment Information – Enterprise Funds – The government issued revenue bonds to finance certain improvements to its water distribution and treatment system. Because the Water Fund, which is an individual fund that accounts entirely for the Village's water distribution and treatment activities, is a segment, and is reported as a major fund in the fund financial statements, segment disclosures herein are not required.

2. Stewardship, Compliance and Accountability

The general and special revenue funds are the governmental fund types under formal budgetary control. The Village adopts its budget in accordance with Public Act 621, the *Uniform Budgeting and Accounting Act*, which mandates an annual budget process and annual appropriation act to implement the budget.

- 1) A general and special revenue funds budget is presented to Village Council in February, at which time hearings on the budget are scheduled. A Public Hearing is also held in February and a special meeting is held to give all elected officials the opportunity to discuss their budget with the Council.
- 2) The budget, and an appropriation ordinance implementing it, is then adopted in February.
- 3) Formal budget integration is employed as a management control device during the year for all funds.
- 4) Budgets presented for the general and special revenue funds were prepared on the modified cash basis of accounting. Encumbrances are not recorded at year-end.
- 5) Expenditures may not legally exceed activity (department) totals. All other special revenue funds cannot legally exceed their respective fund totals. Violations, if any, are noted in the required supplementary information section.

Village of Grass Lake
Notes to Financial Statements

2. Stewardship, Compliance and Accountability (Continued)

- 6) Budgets for the current year are reviewed during the year for any revision of estimates. Proposed increases or reductions in appropriations are presented to the Council for action.
- 7) The Council has the authority to amend all budgets at the fund level through the appropriation ordinance. It further has the right to amend the general fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can make transfers within funds at the departmental level without governing board approval but not between departments.
- 8) All budget appropriations lapse at the end of each fund's fiscal year.

3. Cash and Cash Equivalents

To facilitate better management of the Village's resources, cash is combined in a pooled operating account for much of the Village's activity.

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

	Govern- mental Activities	Business- Type Activities	Total Primary Government	Component Unit	Total
Cash and cash equivalents	\$ 363,406	\$ 25,549	\$ 388,955	\$ 190,725	\$ 579,680
Restricted cash	-	59,936	59,936	-	59,936
Total cash	\$ 363,406	\$ 85,485	\$ 448,891	\$ 190,725	\$ 639,616

Restricted cash consists of federal grant funds received through the State of Michigan which have not been spent yet.

The breakdown between deposits and investments for the Village is as follows:

Deposits in checking and savings accounts	\$ 582,078
Certificates of deposit and money market	57,338
Petty cash and cash on hand	200
Total	\$ 639,616

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village has not adopted and State law does not require a policy for deposit custodial credit risk. As of year-end, approximately \$370,000 of the Village's bank balance of \$620,000 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Village of Grass Lake
Notes to Financial Statements

4. Receivables

Receivables of the governmental activities of the primary government at year-end, consist of the following:

Other governmental units (primarily the State of Michigan)	\$ 72,136
Taxes	12,927
Total	<u>\$ 85,063</u>

5. Capital Assets

Capital assets activity for the year ended February 28, 2022 was as follows:

Governmental Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 67,136	\$ -	\$ -	\$ 67,136
Total capital assets not being depreciated	<u>67,136</u>	<u>-</u>	<u>-</u>	<u>67,136</u>
Capital assets being depreciated:				
Buildings and improvements	279,994	-	-	279,994
Machinery and equipment	454,457	128,548	-	583,005
Infrastructure	1,611,153	30,785	-	1,641,938
Total capital assets being depreciated	<u>2,345,604</u>	<u>159,333</u>	<u>-</u>	<u>2,504,937</u>
Accumulated depreciation:				
Buildings and improvements	182,244	5,750	-	187,994
Machinery and equipment	288,687	35,357	-	324,044
Infrastructure	990,395	81,199	-	1,071,594
Total accumulated depreciation	<u>1,461,326</u>	<u>122,306</u>	<u>-</u>	<u>1,583,632</u>
Total capital assets being depreciated - net	<u>884,278</u>	<u>37,027</u>	<u>-</u>	<u>921,305</u>
Governmental activities capital assets - net	<u>\$ 951,414</u>	<u>\$ 37,027</u>	<u>\$ -</u>	<u>\$ 988,441</u>
Business-Type Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 36,000	\$ -	\$ -	\$ 36,000
Total capital assets not being depreciated	<u>36,000</u>	<u>-</u>	<u>-</u>	<u>36,000</u>
Capital assets being depreciated:				
Systems and improvements	6,084,336	166,204	-	6,250,540
Machinery and equipment	60,915	-	-	60,915
Total capital assets being depreciated	<u>6,145,251</u>	<u>166,204</u>	<u>-</u>	<u>6,311,455</u>
Accumulated depreciation	2,735,728	136,475	-	2,872,203
Total capital assets being depreciated - net	<u>3,409,523</u>	<u>29,729</u>	<u>-</u>	<u>3,439,252</u>
Business-type activities capital assets - net	<u>\$ 3,445,523</u>	<u>\$ 29,729</u>	<u>\$ -</u>	<u>\$ 3,475,252</u>

Village of Grass Lake
Notes to Financial Statements

5. Capital Assets (Continued)

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

Governmental Activities:	
Public works	\$ 81,199
Capital assets held by the Village's internal service funds are charged to the various functions based on usage of the assets	41,107
Total depreciation expense - governmental activities	<u>\$ 122,306</u>
Business-Type Activities:	
Sewer	\$ 63,759
Water	72,716
Total depreciation expense - business-type activities	<u>\$ 136,475</u>

6. Interfund Transfers and Balances

Interfund balances as of current year-end are as follows:

	Due To Other Funds	Due From Other Funds
General Fund	\$ 3,053	\$ 390,701
Major Street Fund	11,056	-
Local Street Fund	11,673	-
Equipment Pool Fund	-	44,103
Village Hall & Grounds Fund	17,344	-
Sewer Fund	301,356	-
Water Fund	90,322	-
	<u>\$ 434,804</u>	<u>\$ 434,804</u>

Interfund transfers during the year were as follows:

	Transfers In	Transfers Out
General Fund	\$ 17,000	\$ -
Major Street Fund	52,000	-
Local Street Fund	5,695	52,000
Water Fund	15,000	-
Component Unit (DDA)	-	37,695
	<u>\$ 89,695</u>	<u>\$ 89,695</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Village of Grass Lake
Notes to Financial Statements

7. Unearned Revenue

During the 2015/2016 fiscal year, the Village entered into a contract to lease the easement area where the Village's cell phone tower is located. The lease of the easement area is over a term of 40 years and required an up-front payment for the entire lease of \$208,036. The total contract was considered unearned at the time it was entered into and is being amortized and recognized as revenue over the 40 year term of the lease in the government-wide statements. The balance of the unearned revenue at the current year-end is \$171,630.

8. Long-Term Debt

The Village issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Village.

Governmental activities – long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds	\$ 219,780	\$ -	\$ 29,160	\$ 190,620	\$ 28,620
Notes payable	60,574	80,000	14,283	126,291	27,324
	<u>\$ 280,354</u>	<u>\$ 80,000</u>	<u>\$ 43,443</u>	<u>\$ 316,911</u>	<u>\$ 55,944</u>

<u>Governmental Activities:</u>	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
2020 Capital Improvement and Refunding Bonds	2.30%	2029	\$ 190,620
Note Payable - Farmers State Bank	3.90%	2024	46,291
Note Payable - Farmers State Bank	2.25%	2028	80,000
			<u>\$ 316,911</u>

Annual debt service requirements to maturity for the governmental activities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 55,944	\$ 8,017	\$ 63,961
2024	56,943	6,488	63,431
2025	47,724	4,716	52,440
2026	41,040	3,345	44,385
2027	39,960	2,407	42,367
2028-2029	65,300	2,079	67,379
	<u>\$ 306,911</u>	<u>\$ 27,052</u>	<u>\$ 333,963</u>

Village of Grass Lake
Notes to Financial Statements

8. Long-Term Debt (Continued)

Business-type activities – long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-Type Activities:					
Bonds	\$ 630,252	\$ -	\$ 163,856	\$ 466,396	\$ 163,396

Business-Type Activities:	Interest Rate	Maturing Through	Principal Outstanding
2002 Michigan State Revolving Loan Program Bonds	2.50%	2023	\$ 128,016
2020 Capital Improvement and Refunding Bonds	2.30%	2035	338,380
			\$ 466,396

Annual debt service requirements to maturity for the business-type activities are as follows:

	Principal	Interest	Total
2023	\$ 163,396	\$ 8,591	\$ 171,987
2024	36,380	7,738	44,118
2025	35,920	6,462	42,382
2026	35,460	6,186	41,646
2027	35,540	5,910	41,450
2028-2032	112,700	24,996	137,696
2033-2035	47,000	14,331	61,331
	\$ 466,396	\$ 74,214	\$ 540,610

9. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the Village carried commercial insurance to cover all risks of losses. The Village had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

10. Contingencies

The Village is subject to legal action as a normal course of business. However, management, with counsel's assistance, vigorously upholds their position on any such action. No ascertainable matters are noted, and thus no provision has been made in the financial statements.

Village of Grass Lake
Notes to Financial Statements

11. Shared Services Agreements

The Jackson County Sheriff Department provides law enforcement services to the Village and Grass Lake Township and its residents. Under this agreement, the Village and the Township are billed at a monthly fixed rate which is split equally between the two municipalities.

Grass Lake Township provides fire protection services to the Village and its residents, which is funded through a tax levy on Village and Township property owners. The Township levies and collects all of the property taxes for fire protection.

The Village has two contracts in place with Grass Lake Township to provide mowing and snow removal services to the Township. These services are billed to the Township based on hourly employee rates plus any costs associated with these services.

12. Deficit Fund Balance

The Water and Sewer Funds both have a negative fund balance in unassigned fund balance. The Village has filed a deficit elimination plan with the Michigan Department of Treasury.

Required Supplementary Information

Village of Grass Lake
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget to Actual
General Fund
Year Ended February 28, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues:			
Property taxes	\$ 210,259	\$ 201,959	\$ 206,658
Licenses and permits	1,100	1,100	100
Intergovernmental	116,750	125,050	160,569
Charges for services	8,500	8,600	6,720
Fines and forfeitures	100	-	-
Interest and rentals	1,500	1,500	2,118
Other revenue	3,500	3,500	21,327
Total revenues	<u>341,709</u>	<u>341,709</u>	<u>397,492</u>
Expenditures:			
Legislative:			
Council	<u>21,375</u>	<u>21,375</u>	<u>21,360</u>
General government:			
Village Council	48,715	66,715	65,993
Village President	5,000	5,000	3,900
Clerk	48,433	48,433	46,596
Treasurer	34,303	35,303	35,170
Buildings and grounds	86,783	80,783	80,383
General administrative	24,000	22,500	16,043
Total general government	<u>247,234</u>	<u>258,734</u>	<u>248,085</u>
Public safety:			
Police	<u>39,150</u>	<u>40,150</u>	<u>40,093</u>
Public works:			
Highways and streets	32,000	33,000	32,727
Sanitation and land-fill	3,000	3,000	2,857
Total public works	<u>35,000</u>	<u>36,000</u>	<u>35,584</u>
Culture and recreation	<u>2,100</u>	<u>3,600</u>	<u>3,258</u>
Community and economic development:			
Planning commission	<u>21,400</u>	<u>6,400</u>	<u>4,606</u>
Total expenditures	<u>366,259</u>	<u>366,259</u>	<u>352,986</u>
Revenues Over (Under) Expenditures	<u>(24,550)</u>	<u>(24,550)</u>	<u>44,506</u>
Other Financing Sources (Uses):			
Transfers in	25,000	25,000	17,000
Total other financing sources (uses)	<u>25,000</u>	<u>25,000</u>	<u>17,000</u>
Net Changes in Fund Balances	450	450	61,506
Fund Balances - Beginning of Year	<u>601,308</u>	<u>601,308</u>	<u>601,308</u>
Fund Balances - End of Year	<u>\$ 601,758</u>	<u>\$ 601,758</u>	<u>\$ 662,814</u>

Village of Grass Lake
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget to Actual
Major Street Fund
Year Ended February 28, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues:			
Intergovernmental	\$ 125,548	\$ 125,548	\$ 138,858
Interest and rentals	100	100	16
Total revenues	<u>125,648</u>	<u>125,648</u>	<u>138,874</u>
Expenditures:			
Highways and streets:			
Maintenance	171,038	144,710	144,434
Traffic services	4,900	4,000	3,959
Winter maintenance	24,431	32,094	32,653
Administrative	6,171	3,171	3,161
Debt service:			
Principal, interest, and fiscal charges	32,849	34,849	34,280
Total expenditures	<u>239,389</u>	<u>218,824</u>	<u>218,487</u>
Revenues Over (Under) Expenditures	<u>(113,741)</u>	<u>(93,176)</u>	<u>(79,613)</u>
Other Financing Sources (Uses):			
Operating transfers in	103,000	57,000	52,000
Total other financing sources (uses)	<u>103,000</u>	<u>57,000</u>	<u>52,000</u>
Net Changes in Fund Balances	(10,741)	(36,176)	(27,613)
Fund Balances - Beginning of Year	<u>35,031</u>	<u>35,031</u>	<u>35,031</u>
Fund Balances - End of Year	<u>\$ 24,290</u>	<u>\$ (1,145)</u>	<u>\$ 7,418</u>

Village of Grass Lake
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget to Actual
Local Street Fund
Year Ended February 28, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues:			
Property taxes	\$ 77,074	\$ 77,074	\$ 74,258
Intergovernmental	101,849	116,849	41,156
Interest and rentals	500	500	176
Total revenues	<u>179,423</u>	<u>194,423</u>	<u>115,590</u>
Expenditures:			
Highways and streets:			
Maintenance	249,955	154,420	154,033
Traffic services	2,000	2,000	1,980
Winter maintenance	20,232	24,732	24,493
Administrative	6,932	3,132	2,967
Total expenditures	<u>279,119</u>	<u>184,284</u>	<u>183,473</u>
Revenues Over (Under) Expenditures	<u>(99,696)</u>	<u>10,139</u>	<u>(67,883)</u>
Other Financing Sources (Uses):			
Operating transfers in	105,000	35,000	5,695
Operating transfers out	(103,000)	(57,000)	(52,000)
Total other financing sources (uses)	<u>2,000</u>	<u>(22,000)</u>	<u>(46,305)</u>
Net Changes in Fund Balances	(97,696)	(11,861)	(114,188)
Fund Balances - Beginning of Year	<u>114,767</u>	<u>114,767</u>	<u>114,767</u>
Fund Balances - End of Year	<u>\$ 17,071</u>	<u>\$ 102,906</u>	<u>\$ 579</u>

Other Supplementary Information

Village of Grass Lake
Schedule of Bonded Indebtedness
Major Street Fund
February 28, 2022

Michigan Municipal Bond Authority
2020 Capital Improvement and Refunding Bonds

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Payable</u>	<u>Annual Interest Payable</u>
February 27, 2020	\$ 252,720				
		2.300%	10/1/2022	\$ 28,620	\$ 4,384
		2.300%	10/1/2023	28,620	3,726
		2.300%	10/1/2024	28,080	3,068
		2.300%	10/1/2025	27,540	2,422
		2.300%	10/1/2026	26,460	1,788
		2.300%	10/1/2027	25,920	1,180
		2.300%	10/1/2028	25,380	584
				<u>\$ 190,620</u>	<u>\$ 17,153</u>

Village of Grass Lake
Schedule of Bonded Indebtedness
Water Fund
February 28, 2022

Michigan Municipal Bond Authority
Revenue Bonds - Series 2002

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Payable</u>	<u>Annual Interest Payable</u>
September 26, 2002	\$ 2,255,000	2.500%	4/1/2023	\$ 128,016	\$ 1,600
				<u>\$ 128,016</u>	<u>\$ 1,600</u>

2020 Capital Improvement and Refunding Bonds

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Payable</u>	<u>Annual Interest Payable</u>
February 27, 2020	\$ 415,280				
		2.300%	10/1/2022	\$ 35,380	\$ 6,991
		2.300%	10/1/2023	36,380	7,738
		2.300%	10/1/2024	35,920	6,462
		2.300%	10/1/2025	35,460	6,186
		2.300%	10/1/2026	35,540	5,910
		2.300%	10/1/2027	35,080	5,611
		2.300%	10/1/2028	34,620	5,312
		2.300%	10/1/2029	14,000	5,013
		2.300%	10/1/2030	14,000	4,691
		2.300%	10/1/2031	15,000	4,369
		2.300%	10/1/2032	15,000	4,024
		2.300%	10/1/2033	16,000	3,679
		2.300%	10/1/2034	16,000	6,623
				<u>\$ 338,380</u>	<u>\$ 72,614</u>



August 12, 2022

Village Council and Management
Village of Grass Lake
Grass Lake, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Village of Grass Lake as of and for the year ended February 28, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered Village of Grass Lake's 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 Village of Grass Lake's internal control. Accordingly, we do not express an opinion on the effectiveness of Village of Grass Lake's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or 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. We consider the following deficiency in internal control to be a significant deficiency:

2022-001: A municipality may not have a deficit fund balance or negative unrestricted net position. In both the Water and Sewer Funds, the unrestricted net position is negative as of year-end.

This communication is intended solely for the information and use of management, Village Council, others within Village of Grass Lake, and is not intended to be, and should not be, used by anyone other than these specified parties.

Willis & Jurasek, P.C.

Jackson, Michigan



August 12, 2022

Village Council
Village of Grass Lake
Grass Lake, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Grass Lake for the year ended February 28, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. 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 Village of Grass Lake are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during year ended February 28, 2022. We noted no transactions entered into by Village of Grass Lake 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 Village of Grass Lake's financial statements was:

Management's estimate of depreciation is based on estimated lives of assets using historical data. 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 significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 12, 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 Village of Grass Lake's 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 Village of Grass Lake's 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 and the budgetary comparison schedules, 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 schedules of bonded indebtedness, 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.

Comments and Recommendations

As a result of our work we would like to make the following comments and recommendations:

- The DDA website should be updated to include all requirements of Public Act 57 of 2018
- Any time there is review of an item (bank reconciliation, journal entry, etc.) the review should be documented via a signature or initialing

Restriction on Use

This information is intended solely for the information and use of Village Council and management of the Village of Grass Lake and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Willis & Jurasek, P.C.