

**Village of Bancroft**  
**Audited Financial Statements and**  
**Required Supplementary Information**  
**February 28, 2021**

**VILLAGE OF BANCROFT  
ELECTED OFFICIALS**

Brian Barnum	President
Ashley Goodrich	Clerk
Linda Sedlock	Treasurer
Robin Miller	Pres. Pro Tempore
Kevin Bible	Trustee
Tammy Barnum	Trustee
Caleb Hutchins	Trustee
Tamie Terpening	Trustee
Linda Wert-Fuller	Trustee

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## INDEPENDENT AUDITOR'S REPORT

Village of Bancroft  
To the President and  
Members of the Village Council  
Bancroft, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Bancroft, Michigan, as of and for the year ended February 28, 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Bancroft, Michigan, as of February 28, 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, schedules of funding progress and employer contributions, and budgetary comparison information on pages 3-6 and 31-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2021, on our consideration of Village of Bancroft's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Village of Bancroft's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Bancroft's internal control over financial reporting and compliance.

*Ray, Noje & Warren, CPA, P.C.*

Flint, Michigan  
August 12, 2021

# VILLAGE OF BANCROFT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the Village of Bancroft's (Village) financial performance and position, providing an overview of the activities for the year ended February 28, 2021. This analysis should be read in conjunction with the Independent Auditor's Report and with the Village's basic financial statements.

### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Village of Bancroft as a whole and represent a long-term view of the Village's finances. This long-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of provided governmental services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Village of Bancroft in more detail than the government-wide financial statements by providing information about the Village's most significant funds.

### Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended February 28, 2021:

1. State-shared revenue, one of our largest revenue sources in the General Fund, decreased \$6,435 for fiscal year ended February 28, 2021. It increased \$2,058 for the fiscal year ended February 29, 2020.
2. Property taxes and administrative fees increased \$3,617 for the fiscal year ended February 28, 2021. Property taxes and administrative fees increased \$2,142 for the fiscal year ended February 29, 2020. The increase is due to an increase in taxable property values.
3. Act 51 revenue for the Street Funds decreased \$3,782 for the fiscal year ended February 28, 2021. For the fiscal year ending February 29, 2020, Act 51 revenues for the Street Funds decreased \$3,702.
4. The fund balance of the Village's General Fund decreased \$12,640 to \$59,544 for the fiscal year ended February 28, 2021.
5. Transfers include \$17,711 from the Major Street Fund to the Local Street Fund.

## VILLAGE OF BANCROFT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### Village as a Whole

In the Statement of Net Position and the Statement of Activities, the Village reports two kinds of activities:

- Governmental Activities – Most of the Village's basic services are reported here, including the police, public works, parks, streets, and general administration. Property taxes, state shared revenue, and charges for services finance most of these activities.
- Business-Type Activities – The Village charges a fee to customers to cover the costs of some of the services it provides. The Water System is reported here.

The following table shows the net position of the Village as of February 28, 2021 compared to February 29, 2020:

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
<b>Assets</b>						
Current assets	\$ 452,891	\$ 409,401	\$ 300,895	\$ 278,583	\$ 753,786	\$ 687,984
Noncurrent assets	277,225	259,660	1,033,758	1,067,846	1,310,983	1,327,506
Total assets	<u>\$ 730,116</u>	<u>\$ 669,061</u>	<u>\$ 1,334,653</u>	<u>\$ 1,346,429</u>	<u>\$ 2,064,769</u>	<u>\$ 2,015,490</u>
<b>Liabilities</b>						
Current liabilities	\$ 77,430	\$ 53,116	\$ 49,035	\$ 49,534	\$ 126,465	\$ 102,650
Noncurrent liabilities	68,658	68,304	1,118,000	1,147,000	1,186,658	1,215,304
Total liabilities	<u>\$ 146,088</u>	<u>\$ 121,420</u>	<u>\$ 1,167,035</u>	<u>\$ 1,196,534</u>	<u>\$ 1,313,123</u>	<u>\$ 1,317,954</u>
<b>Net Position</b>						
Net investment in capital assets	\$ 277,225	\$ 259,660	\$ (84,242)	\$ (79,154)	\$ 192,983	\$ 180,506
Restricted	275,522	242,473	80,874	49,950	356,396	292,423
Unrestricted	31,281	45,508	170,986	179,099	202,267	224,607
Total net position	<u>\$ 584,028</u>	<u>\$ 547,641</u>	<u>\$ 167,618</u>	<u>\$ 149,895</u>	<u>\$ 751,646</u>	<u>\$ 697,536</u>

## VILLAGE OF BANCROFT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the change in net position for the year ended February 28, 2021 compared to February 29, 2020:

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 57,449	\$ 59,283	\$ 140,647	\$ 152,392	198,096	211,675
General revenues:						
State-shared revenues	145,821	156,038	-	-	145,821	156,038
Tax collections	71,891	68,274	-	-	71,891	68,274
Interest revenues	279	793	454	311	733	1,104
Grant	16,641	20,008	-	-	16,641	20,008
Community and economic development	8,222	22,537	-	-	8,222	22,537
Other general revenues	11,675	11,926	-	-	11,675	11,926
Total revenues	311,978	338,859	141,101	152,703	453,079	491,562
<b>Expenses</b>						
Program expenses:						
General government	91,978	27,476	-	-	91,978	27,476
Public safety	39,669	35,215	-	-	39,669	35,215
Public works	72,331	99,891	-	-	72,331	99,891
Community and economic development	3,746	8,991	-	-	3,746	8,991
Recreation and culture	1,825	838	-	-	1,825	838
Highways and streets	66,042	115,709	-	-	66,042	115,709
Water service	-	-	123,378	128,921	123,378	128,921
Total expenses	275,591	288,120	123,378	128,921	398,969	417,041
Change in net position	\$ 36,387	\$ 50,739	\$ 17,723	\$ 23,782	\$ 54,110	\$ 74,521

#### Governmental Activities

For the year ended February 28, 2021 the Village's total revenues was \$453,079 with the greatest revenue sources being state-shared revenues and charges for services, making up approximately 76% of total revenues. For year ended February 29, 2020 the Village's revenues totaled \$491,562 with the greatest revenue sources being state-shared revenues and water and garbage service fees, making up approximately 75% of total revenues. For the year ended February 28, 2021, the Village incurred expenditures of \$398,969 compared to \$417,041 for the year ended February 29, 2020. The majority of the expenditures are associated with the general government, public works and water funds.

#### The Village's Funds

The analysis of the Village's governmental funds begins on Page 9 following the government-wide financial statements. The fund financial statements provide detailed information about all the general government funds. The Village of Bancroft's Board of Trustees has the ability to create funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages and special assessments.



# VILLAGE OF BANCROFT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The General Fund pays for the majority of the Village's governmental services. The Water Improvement Fund paid for the building expense of the water tower and the arsenic treatment plant. The fund paid \$81,198 for year ended February 28, 2021 and \$80,409 for the year ended February 29, 2020 toward the principal and interest on the water improvement bonds. The Major and Local Street Funds combined paid a total of \$64,573 for the year ended February 28, 2021 and \$115,709 for the year ended February 29, 2020 for maintenance and upkeep of roads.

### **General Fund Budgetary Highlights**

Over the course of the fiscal year, the Village Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendments were made to cover the expected increase in state-shared revenue. Overall, the General Fund's expenditures were under budget by \$15,359 in the fiscal year ended February 28, 2021 and under budget by \$18,930 in the fiscal year ended February 29, 2020.

### **Capital Assets**

For year ended February 28, 2021, the Village had approximately \$366,279 (valued at historical cost) in assets which includes furniture, office equipment, and software. Accumulated depreciation recorded for the general Village assets was \$124,616.

The Equipment Fund had approximately \$283,677 (valued at historical cost) in assets with accumulated depreciation of \$248,115. The Water Fund had approximately \$243,167 (valued at historical cost) in equipment assets with \$226,900 of accumulated depreciation. It also had approximately \$1,418,131 (valued at historical cost) in assets which includes the water tower and arsenic treatment plant. Accumulated depreciation on the water tower and arsenic treatment plant was \$410,640.

### **Long-Term Debt**

For year ended February 28, 2021, the Village paid \$29,000 in bond principal and \$52,198 in interest. For year ended February 29, 2020, the Village paid \$27,000 in bond principal and \$53,064 in interest.

### **Current Economic Factors**

The property tax base remained relatively consistent year-over-year, providing for a minimal change in property tax revenue.

### **Contacting the Village's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village's finances and demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional information, we encourage you to contact a Village Official at the Village Hall at (989) 634-5375.

**VILLAGE OF BANCROFT  
STATEMENT OF NET POSITION  
FEBRUARY 28, 2021**

	<b>Primary Government</b>		
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 418,790	\$ 160,380	\$ 579,170
Cash and cash equivalents - RD bond reserve	-	86,379	86,379
Prepaid expenses	6,775	853	7,628
Accounts receivable	27,326	7,163	34,489
Due from other funds	-	46,120	46,120
<b>Total current assets</b>	<b>452,891</b>	<b>300,895</b>	<b>753,786</b>
Noncurrent assets:			
Capital assets not being depreciated	-	10,000	10,000
Capital assets net of accumulated depreciation	277,225	1,023,758	1,300,983
<b>Total noncurrent assets</b>	<b>277,225</b>	<b>1,033,758</b>	<b>1,310,983</b>
<b>Total assets</b>	<b>\$ 730,116</b>	<b>\$ 1,334,653</b>	<b>\$ 2,064,769</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 27,365	\$ -	\$ 27,365
Due to other funds	46,120	-	46,120
Accrued interest payable	-	19,442	19,442
Accrued payroll and related liabilities	3,945	593	4,538
Current portion on long-term debt	-	29,000	29,000
<b>Total current liabilities</b>	<b>77,430</b>	<b>49,035</b>	<b>126,465</b>
<b>NONCURRENT LIABILITIES</b>			
Long-term debt	-	1,118,000	1,118,000
Net pension obligation	68,658	-	68,658
<b>Total liabilities</b>	<b>\$ 146,088</b>	<b>\$ 1,167,035</b>	<b>\$ 1,313,123</b>
<b>NET POSITION</b>			
Capital assets, net of related debt	\$ 277,225	\$ (84,242)	\$ 192,983
Restricted for:			
Community projects	656	-	656
Debt service	-	80,021	80,021
Prepaid expenses	6,775	853	7,628
Special revenue funds	268,091	-	268,091
Unrestricted	31,281	170,986	202,267
<b>Total net position</b>	<b>\$ 584,028</b>	<b>\$ 167,618</b>	<b>\$ 751,646</b>

See accompanying notes

**VILLAGE OF BANCROFT  
STATEMENT OF ACTIVITIES  
YEAR ENDED FEBRUARY 28, 2021**

<b>FUNCTIONS/PROGRAMS</b>	<b>Program</b>		<b>Net Revenue (Expense)</b>		
	<i>Expenses</i>	<i>Charges for Services</i>	<i>Governmental Activities</i>	<i>Business Type Activities</i>	<i>Total</i>
<b>Primary government</b>					
Governmental activities:					
General government	\$ 91,978	\$ 57,449	\$ (34,529)	\$ -	\$ (34,529)
Public safety	39,669	-	(39,669)	-	(39,669)
Public works	72,331	-	(72,331)	-	(72,331)
Recreation and culture	1,825	-	(1,825)	-	(1,825)
Highways and streets	66,042	-	(66,042)	-	(66,042)
Community and economic development	3,746	-	(3,746)	-	(3,746)
<b>Total governmental activities</b>	<u>275,591</u>	<u>57,449</u>	<u>(218,142)</u>	<u>-</u>	<u>(218,142)</u>
Business-type activities:					
Water operations and improvement funds	123,378	140,647	-	17,269	17,269
<b>Total business-type activities</b>	<u>123,378</u>	<u>140,647</u>	<u>-</u>	<u>17,269</u>	<u>17,269</u>
<b>Total primary government</b>	<u>\$ 398,969</u>	<u>\$ 198,096</u>	<u>(218,142)</u>	<u>17,269</u>	<u>(200,873)</u>
<b>General purpose revenues:</b>					
Current property taxes			71,891	-	71,891
State shared revenues			145,821	-	145,821
Local revenues			7,950	-	7,950
Interest			279	454	733
Metro act			3,109	-	3,109
Grant			16,641	-	16,641
Community and economic development			8,222	-	8,222
Other			616	-	616
<b>Total general revenues</b>			<u>254,529</u>	<u>454</u>	<u>254,983</u>
<b>Change in net position</b>			<u>36,387</u>	<u>17,723</u>	<u>54,110</u>
<b>Net position at beginning of year</b>			<u>547,641</u>	<u>149,895</u>	<u>697,536</u>
<b>Net position at end of period</b>			<u>\$ 584,028</u>	<u>\$ 167,618</u>	<u>\$ 751,646</u>

See accompanying notes

**VILLAGE OF BANCROFT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
FEBRUARY 28, 2021**

	<i>Special Revenue</i>				<i>Total Funds</i>
	<i>General Fund</i>	<i>Local Street Fund</i>	<i>Major Street Fund</i>	<i>Non-Major Governmental Fund - DDA</i>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 96,107	\$ 108,455	\$ 141,857	\$ 26,733	\$ 373,152
Prepaid expenses	4,616	-	-	-	4,616
Accounts receivable	11,051	3,918	12,357	-	27,326
Due from other funds	5,858	5,250	-	-	11,108
<b>Total assets</b>	<u>\$ 117,632</u>	<u>\$ 117,623</u>	<u>\$ 154,214</u>	<u>\$ 26,733</u>	<u>\$ 416,202</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 4,056	\$ -	\$ 23,309	\$ -	\$ 27,365
Accrued payroll and related liabilities	3,313	49	315	-	3,677
Due to other funds	50,719	629	6,177	-	57,525
<b>Total liabilities</b>	<u>58,088</u>	<u>678</u>	<u>29,801</u>	<u>-</u>	<u>88,567</u>
<b>FUND BALANCE</b>					
Nonspendable	4,616	-	-	-	4,616
Restricted for community projects	656	-	-	-	656
Restricted for special revenue funds	-	116,945	124,413	26,733	268,091
Unassigned	54,272	-	-	-	54,272
<b>Total fund balance</b>	<u>59,544</u>	<u>116,945</u>	<u>124,413</u>	<u>26,733</u>	<u>327,635</u>
<b>Total liabilities and fund balance</b>	<u>\$ 117,632</u>	<u>\$ 117,623</u>	<u>\$ 154,214</u>	<u>\$ 26,733</u>	<u>\$ 416,202</u>

See accompanying notes

**VILLAGE OF BANCROFT  
GOVERNMENTAL FUNDS  
RECONCILIATION OF FUNDS BALANCE SHEET TO  
STATEMENT OF NET POSITION  
FEBRUARY 28, 2021**

<b>Total fund balance - governmental funds</b>	\$ 327,635
Fixed assets are capitalized in the Statement of Net Position and depreciated in the Statement of Activities. These are expensed when acquired in the Statement of Revenues, Expenditures, and Changes in Fund Balance.	241,663
Pension obligation not recorded in fund financial statements.	(68,658)
Net position of internal service funds that are treated as proprietary in the fund level statements and treated as governmental in the entity-wide statements.	<u>83,388</u>
<b>Total net position of governmental activities</b>	<u><u>\$ 584,028</u></u>

*See accompanying notes*

**VILLAGE OF BANCROFT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
YEAR ENDED FEBRUARY 28, 2021**

	<u>Special Revenue</u>				<i>Total Funds</i>
	<i>General Fund</i>	<i>Local Street Fund</i>	<i>Major Street Fund</i>	<i>Non-Major Governmental Fund - DDA</i>	
<b>REVENUES</b>					
Current property taxes	\$ 68,856	\$ -	\$ -	\$ 3,035	\$ 71,891
Garbage fees	31,474	-	-	-	31,474
State shared revenue	55,832	21,641	68,348	-	145,821
Local revenues	7,950	-	-	-	7,950
Metro act money	3,109	-	-	-	3,109
Grant	16,641	-	-	-	16,641
Community and economic development	3,990	-	-	4,232	8,222
Other	-	616	-	-	616
<b>Total revenues</b>	<u>187,852</u>	<u>22,257</u>	<u>68,348</u>	<u>7,267</u>	<u>285,724</u>
<b>EXPENDITURES</b>					
General government	63,001	-	-	-	63,001
Highways and streets	-	14,160	50,413	-	64,573
Public safety	36,482	-	-	-	36,482
Public works	71,977	-	-	-	71,977
Recreation and culture	25,830	-	-	-	25,830
Community and economic development	3,202	-	-	544	3,746
<b>Total expenditures</b>	<u>200,492</u>	<u>14,160</u>	<u>50,413</u>	<u>544</u>	<u>265,609</u>
<b>Excess (deficiency) of revenues</b>					
<b>Over (under) expenditures</b>	(12,640)	8,097	17,935	6,723	20,115
<b>Other financing sources (uses)</b>					
Interest	-	90	-	-	90
Transfers from other funds	-	17,711	-	-	17,711
Transfers to other funds	-	-	(17,711)	-	(17,711)
Net other financing sources (uses)	-	17,801	(17,711)	-	90
Net change in fund balances	<u>(12,640)</u>	<u>25,898</u>	<u>224</u>	<u>6,723</u>	<u>20,205</u>
Fund balances, beginning of year	72,184	91,047	124,189	20,010	307,430
<b>Fund balances, end of year</b>	<u>\$ 59,544</u>	<u>\$ 116,945</u>	<u>\$ 124,413</u>	<u>\$ 26,733</u>	<u>\$ 327,635</u>

See accompanying notes

**VILLAGE OF BANCROFT  
GOVERNMENTAL FUNDS  
RECONCILIATION OF STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED FEBRUARY 28, 2021**

<b>Net change in fund balances - total government funds</b>	<b>\$</b>	<b>20,205</b>
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>		
		12,575
Change in pension obligation not recorded in fund financial statements.		(354)
<p>The internal service funds are used by management to charge the costs of equipment to individual funds. The net revenue of certain activities of the internal service fund is reported in governmental activities.</p>		
		3,961
<b>Changes in net position of governmental activities</b>	<b>\$</b>	<b><u><u>36,387</u></u></b>

*See accompanying notes*

**VILLAGE OF BANCROFT  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
FEBRUARY 28, 2021**

	<i>Business-Type Activities Enterprise Water Fund</i>	<i>Governmental Activities Internal Fund</i>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 160,380	\$ 45,638
Cash and cash equivalents - RD bond reserve	86,379	-
Prepaid expenses	853	2,159
Accounts receivable	7,163	-
Due from other funds	50,005	714
Total current assets	304,780	48,511
Noncurrent assets:		
Capital assets not being depreciated	10,000	-
Capital assets net of accumulated depreciation	1,023,758	35,562
Total noncurrent assets	1,033,758	35,562
<b>Total assets</b>	\$ 1,338,538	\$ 84,073
 <b>LIABILITIES</b>		
Current liabilities:		
Due to other funds	\$ 3,885	\$ 417
Accrued interest payable	19,442	-
Accrued payroll and related liabilities	593	268
Current portion on long-term debt	29,000	-
<b>Total current liabilities</b>	52,920	685
 <b>NONCURRENT LIABILITIES</b>		
Long-term debt	1,118,000	-
<b>Total liabilities</b>	\$ 1,170,920	\$ 685
 <b>NET POSITION</b>		
Capital assets, net of related debt	\$ (84,242)	\$ 35,562
Restricted for:		
Debt service	80,021	-
Prepaid expenses	853	2,159
Unrestricted	170,986	45,667
<b>Total net position</b>	\$ 167,618	\$ 83,388

See accompanying notes



**VILLAGE OF BANCROFT  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 YEAR ENDED FEBRUARY 28, 2021**

	<i>Business-Type Activities Enterprise Water Fund</i>	<i>Governmental Activities Internal Fund</i>
	<u>                    </u>	<u>                    </u>
<b>OPERATING REVENUES</b>		
Water usage fees	\$ 51,314	\$ -
Ready to serve fees	84,808	-
Shut off fees, penalties, and miscellaneous	4,525	190
Equipment rental and sales	-	25,785
<b>Total operating revenues</b>	<u>140,647</u>	<u>25,975</u>
<b>OPERATING EXPENSES</b>		
General government	-	22,203
Water	71,777	-
<b>Total operating expenses</b>	<u>71,777</u>	<u>22,203</u>
<b>Operating income (loss)</b>	<u>68,870</u>	<u>3,772</u>
<b>Non-operating revenues (expenses)</b>		
Interest earnings	454	189
Interest expense	(51,601)	-
<b>Net non-operating revenues (expenses)</b>	<u>(51,147)</u>	<u>189</u>
<b>Income (expense) from transfers</b>		
Transfers from other funds	101,198	-
Transfers to other funds	(101,198)	-
<b>Total transfers</b>	<u>-</u>	<u>-</u>
Change in net position	17,723	3,961
Fund balances, beginning of year	149,895	79,427
<b>Fund balances, end of year</b>	<u>\$ 167,618</u>	<u>\$ 83,388</u>

*See accompanying notes*

**VILLAGE OF BANCROFT  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED FEBRUARY 28, 2021**

	<i>Business-Type Activities Enterprise Water Fund</i>	<i>Governmental Activities Internal Fund</i>
	<u>Fund</u>	<u>Fund</u>
<b>Cash flows from operating activities</b>		
Cash receipts from customers	\$ 156,815	\$ -
Cash receipts for interfund services provided	-	34,476
Cash paid to suppliers	(19,232)	(7,343)
Cash paid for interfund services used	(3,417)	-
Cash paid to employees	(13,684)	(4,429)
Cash paid for employee benefits	(1,200)	(1,567)
Net cash from operating activities	119,282	21,137
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	-	(13,739)
Interest earned	454	189
Net cash from investing activities	454	(13,550)
<b>Cash flows from capital and related financing activities</b>		
Payments on bonds/RDA loans	(29,000)	-
Interest paid	(52,198)	-
Net cash from capital and related financing activities	(81,198)	-
Net change in cash and cash equivalents	38,538	7,587
Cash and cash equivalents at beginning of year	208,221	38,051
Cash and cash equivalents at end of year	\$ 246,759	\$ 45,638
<b>Reconciliation of operating income (loss) to net cash from operating activities</b>		
Income from operations	\$ 68,870	\$ 3,772
Adjustments to reconcile income from operations to net cash from operating activities		
Change in receivables	13,485	3,724
Change in interfund receivables	2,683	4,777
Depreciation	34,088	8,749
Change in payables	-	-
Change in accruals	98	(29)
Change in prepaids	58	144
Net cash from operating activities	\$ 119,282	\$ 21,137

Disclosure of accounting policy:

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with a maturity of three months or less when acquired.

Schedule of non-cash investing and financing activities:

There were no significant non-cash investing and financing activities.

See accompanying notes

**VILLAGE OF BANCROFT  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Village of Bancroft conform to accounting principles generally accepted in the United States of American (GAAP) as applicable to governmental units. The following is a summary of the significant accounting principles used by the Village of Bancroft:

***Government-wide and Fund Financial Statements***

The government-wide financial statements, which consist of the Statement of Net Position and the Statement of Activities, report information on all of the nonfiduciary activities of the primary government. Governmental activities normally 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.

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 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 funds. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. 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 BANCROFT  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property taxes, licenses, and charges for services 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. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

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

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

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relate to charges to customers for sales and services. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

***Assets and Liabilities***

***Bank Deposits and Investments***

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Certificates of Deposit with a maturity date of three months or less are considered short-term investments.

***Receivables and Payables***

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**VILLAGE OF BANCROFT  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Prepaid Items*

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

*Capital Assets*

Capital assets, which include property, plant, and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of two years and cost over \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Village began recording governmental infrastructure constructed on or after July 1, 2003, as followed by GASB 34.

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

Building improvements	15 to 39 years
Water and sewer lines	50 to 75 years
Roads	10 to 30 years
Vehicles	3 to 7 years
Office and computer equipment	3 to 7 years
Equipment	5 to 10 years

*Long-Term Obligations*

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

*Government-Wide Net Assets*

Government-wide net assets are divided into three components:

*Invested in capital assets, net of related debt* – This category consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets;

*Restricted net assets* – Net assets are considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organization such as Federal or State laws;

*Unrestricted* – All other net assets are reported in this category.

**VILLAGE OF BANCROFT  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Governmental Fund Balances*

In the governmental fund financial statements, fund balances are classified as follows:

*Nonspendable* – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* – Amounts that can be spent only for specific purposes because of the Village Charter, the Village Code, state or federal laws, or externally imposed conditions by grantors or creditors.

*Committed* – Amounts that can be used only for specific purposes determined by a formal action by Village Council ordinance.

*Assigned* – Amounts that are designated by the President for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by Village Council.

*Unassigned* – All amounts not included in other spendable classifications; positive amounts are reported only in the general fund.

When the government incurs expenditures for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

*Use of estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

*Budgets and Budgetary Accounting*

The Village follows these procedures in establishing the budgetary data reflected in the RSI:

1. Prior to the beginning of the fiscal year, the budget committee submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level.
2. Public hearings are conducted in the Village to obtain taxpayer comments.
3. Prior to March 1, the budget is legally enacted through passage of an ordinance.
4. The clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Council.

**VILLAGE OF BANCROFT  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds, Enterprise, and Internal Service Funds.
6. Budgets for the General, Special Revenue, and the Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All annual appropriations lapse at fiscal year end.

*Property Tax Levies*

The Village's property tax is levied on each June 30 and payable before September 15, at which point they are considered delinquent, on the taxable valuation of property (as defined by state statute) located in the Village limits as of the preceding December 31. The Village is permitted by the Municipal Finance Law of the state to levy taxes up to 15.0000 mills total. The 2020 taxable valuation of the Village is \$7,193,056 on which taxes levied consisted of 9.8952 mills operation raising \$71,175 for Village operations.

**NOTE 2 – NATURE OF ACTIVITIES**

***Reporting Entity***

The Village of Bancroft is a General Law Village which operates under an elected village council form of government and provides services to its residents in many areas including public safety, highways and streets, sanitation, parks and recreation, planning and zoning, and general administrative services.

The Village reports the following major governmental funds:

*General Fund* – The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

*Major Street Fund* – The Major Street Fund is used to receive all Major Street monies paid to the Village by the State for construction, maintenance and other operations to all streets classified as Major Streets.

*Local Street Fund* – The Local Street Fund is used to receive all Local Street monies paid to the Village by the State for construction, maintenance, and other authorized operations to all streets classified as Local Streets.

**VILLAGE OF BANCROFT  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2021**

**NOTE 2 – NATURE OF ACTIVITIES (CONTINUED)**

The Village reports the following major proprietary funds:

*Water Fund* consisting of:

*Water Operations Fund* – The Water Operations Fund is used to account for water services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, and maintenance.

*Water Improvement Fund* – The Water Improvement Fund is used to account for the assets, liabilities, and related debt service for the building of the water tower, water treatment system, and the arsenic treatment plant.

*Equipment Fund* – The Equipment Fund is used to account for intergovernmental charges, or operating expenses of equipment of the Police Department and the Department of Public Works.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the account of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Village is allowed to invest in 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 obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates 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 as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

***Interest Rate Risk***

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the above list of authorized investments. The Village's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

***Credit Risk***

State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds, and qualified external investment pools as identified in the list of authorized investments above. In compliance with State law, the Village's investment policy limits investments to the top two ratings issued by nationally recognized statistical rating organizations. The Village's investment policy does not have specific limits in excess of State law on investment credit risk.



**VILLAGE OF BANCROFT  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2021**

**NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)**

***Custodial Credit Risk Deposit***

Custodial credit risk is the risk that in the event of a bank failure, the Village’s deposits may not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. As of year-end, \$330,483 of the Village’s bank deposits of \$665,478 were exposed to custodial credit risk because they were uninsured and uncollateralized.

***Custodial Credit Risk Investments***

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Village does not have a policy for investment custodial credit risk. There were no investments held by the Village at year end.

***Concentration of Credit Risk***

State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Village’s investment policy does not have specific limits in excess of State law on concentration of credit risk. There were no investments that exceeded 5% of the Village’s total investments at year end.

As of year end, the Village’s deposits and investments can be broken down into the following categories:

	<u>Deposits</u>	<u>FDIC Insured</u>	<u>Uninsured / Uncollateralized</u>
Checking	\$ 342,038	\$ 250,000	\$ 92,038
Savings	238,445	-	238,445
Certificate of Deposits	84,995	84,995	-
	<u>\$ 665,478</u>	<u>\$ 334,995</u>	<u>\$ 330,483</u>

**VILLAGE OF BANCROFT  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2021**

**NOTE 4 – 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 and illnesses of employees; and natural disasters. The Village carries commercial insurance to cover any potential claims associated with these risks and has no claims that exceeded coverage during the past three years.

**NOTE 5 – CONTINGENT LIABILITY**

In 2009 the Village received a Federal COPS Grant to assist paying Police Officer wages. The amount of the grant received was \$68,256. It has been determined that the Village did not qualify for this grant. At this time, the Village will not be required to repay the funds.

**NOTE 6 – CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets being depreciated:				
General government	\$ 224,142	\$ -	\$ 2,930	\$ 221,212
Public safety	64,011	1,895	-	65,906
Recreation and culture	21,645	25,544	-	47,189
Streets	31,972	-	-	31,972
Total capital assets being depreciated	<u>341,770</u>	<u>27,439</u>	<u>2,930</u>	<u>366,279</u>
Less accumulated depreciation for:				
General government	(69,682)	(6,774)	(2,930)	(73,526)
Public safety	(37,994)	(5,082)	-	(43,076)
Recreation and culture	(4,135)	(1,539)	-	(5,674)
Streets	(871)	(1,469)	-	(2,340)
Total accumulated depreciation	<u>(112,682)</u>	<u>(14,864)</u>	<u>(2,930)</u>	<u>(124,616)</u>
Total capital assets being depreciated, net	<u>\$ 229,088</u>	<u>\$ 12,575</u>	<u>\$ -</u>	<u>\$ 241,663</u>

**VILLAGE OF BANCROFT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2021**

**NOTE 6 – CAPITAL ASSETS (CONTINUED)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Capital assets being depreciated:				
Public infrastructure	1,418,131	-	-	1,418,131
Water operations equipment	243,167	-	-	243,167
Public works equipment	271,374	13,739	1,436	283,677
Total capital assets being depreciated	<u>1,932,672</u>	<u>13,739</u>	<u>1,436</u>	<u>1,944,975</u>
Less accumulated depreciation for:				
Public infrastructure	(382,277)	(28,363)	-	(410,640)
Water operations equipment	(221,175)	(5,725)	-	(226,900)
Public works equipment	(240,802)	(8,749)	(1,436)	(248,115)
Total accumulated depreciation	<u>(844,254)</u>	<u>(42,837)</u>	<u>(1,436)</u>	<u>(885,655)</u>
Total capital assets being depreciated, net	<u>1,088,418</u>	<u>(29,098)</u>	<u>-</u>	<u>1,059,320</u>
Business-type activities				
Capital assets, net	<u>\$ 1,098,418</u>	<u>\$ (29,098)</u>	<u>\$ -</u>	<u>\$ 1,069,320</u>
<b>Depreciation expense</b>				
Government activities:				
General government	\$ 6,774			
Public safety	5,082			
Recreation and culture	1,539			
Streets	1,469			
Total governmental activities	<u>\$ 14,864</u>			
Business-type activities:				
Water fund	\$ 34,088			
Equipment fund	8,749			
Total business-type activities	<u>\$ 42,837</u>			

**VILLAGE OF BANCROFT  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2021**

**NOTE 7 – WATER FUND OBLIGATIONS**

On December 5, 2000, the Village financed bonds payable for \$600,000 for the construction of its Water System. These bonds mature on November 1, of each year and are payable with interest at 4.75% per annum.

On October 15, 2004, the Village financed additional bonds for \$500,000, also to be used for water system construction. These bonds mature on October 1, of each year and are payable with interest at 4.375% per annum.

On January 25, 2007, the Village financed additional bonds for \$390,000, Series A and \$26,000, Series B, for the construction of the Arsenic Treatment Plant. These bonds mature on October 1, of each year and are payable with interest at 4.125% per annum. The Series B bonds were paid in full.

The maturities on the bonds are as follows:

<u>Year ended, February 28,</u>	<u>Principal Amount Due</u>	<u>Interest Amount Due</u>	<u>Total Amount Due</u>
2022	\$ 29,000	\$ 51,021	\$ 80,021
2023	31,000	49,721	80,721
2024	33,000	48,330	81,330
2025	34,000	46,978	80,978
2026	35,000	45,326	80,326
2027-2031	204,000	201,248	405,248
2032-2036	255,000	151,197	406,197
2037-2041	319,000	88,346	407,346
2042-2047	207,000	27,844	234,844
	<u>\$ 1,147,000</u>	<u>\$ 710,011</u>	<u>\$ 1,857,011</u>

**NOTE 8 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated.

In the body of the financial statements, the Village’s actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Village for the budgetary funds were adopted to the activity level.

**VILLAGE OF BANCROFT  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2021**

**NOTE 8 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS (CONTINUED)**

During the year ended February 28, 2021, the Village did incur expenditures in excess of the amounts appropriated, as follows:

	<u>Appropriated</u>	<u>Actual</u>	<u>Actual Over Appropriated</u>
General Fund:			
Legislative	\$ 41,400	\$ 41,451	\$ (51)
Community and Economic Development	\$ 550	\$ 3,202	\$ (2,652)

**NOTE 9 – PENSION PLANS**

*Plan Description*

The employer’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com). The employees included in this plan are the DPW personnel.

*Benefits Provided*

The charts below summarize the Village’s benefit provisions for its covered groups.

<u>01 – DPW: Closed to New Hires</u>	<u>2020 Valuation</u>
Benefit Multiplier	1.30% Multiplier (no max)
Normal Retirement Age	60
Vesting	10 years
Early Retirement (Unreduced)	-
Early Retirement (Reduced)	50/25 55/15
Final Average Compensation	5 years
Employee Contributions	0%
Act 88	No

*Employees covered by benefit terms*

As of December 31, 2020, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently received benefits	1
Inactive employees entitled to but not yet receiving benefits	1
Active employees	-
	<u>2</u>

**VILLAGE OF BANCROFT  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2021**

**NOTE 9 – PENSION PLANS (CONTINUED)**

*Contributions*

The Village is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The Village of Bancroft had an annual actuarial determined employer contribution amount of \$6,660. During the 2020 calendar valuation period, contributions were \$5,242, 0% of annual covered payroll for DPW employees.

The Village may establish contribution rates to be paid by its covered employees, however, employees are currently not required to make a contribution. Employee contributions for the plan year ended December 31, 2020 were \$0. For the year ended December 31, 2020, the employer recognized pension expense of \$7,755.

*Net Pension Liability*

The employer's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

*Actuarial Assumptions*

The total pension liability in the December 31, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.5%
- Salary Increases: 3.00% in the long-term.
- Increase in final average compensation: 1%
- Average expected remaining service lives of all employees (active and inactive): 0
- Investment rate of return: 7.35%, net of investment expense, including inflation.
- Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption includes long-term annual price inflation of 2.5%

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study.

*Discount Rate.*

The discount rate used to measure the total pension liability is 7.60%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**VILLAGE OF BANCROFT  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2021**

**NOTE 9 – PENSION PLANS (CONTINUED)**

*Changes in Net Pension Plan*

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
<b>Balances as of December 31, 2019</b>	\$ 95,084	\$ 26,780	\$ 68,304
<b>Changes for the year</b>			
Service cost	-	-	-
Interest on total pension liability	6,927	-	6,927
Changes in benefits	-	-	-
Difference between expected and actual experience	1,251	-	1,251
Changes of assumptions	484	-	484
Employer contributions	-	5,242	(5,242)
Employee contributions	-	-	-
Net investment income	-	3,066	(3,066)
Benefit payments, including employee refunds	(7,884)	(7,884)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	<u>778</u>	<u>424</u>	<u>354</u>
<b>Balances as of December 31, 2020</b>	<u>\$ 95,862</u>	<u>\$ 27,204</u>	<u>\$ 68,658</u>

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the employer, calculated using the discount rate of 7.60%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (6.60 %) or 1 percentage point higher (8.60%) than the current rate.

	<b>1% Decrease (6.6%)</b>	<b>Current Discount Rate (7.6%)</b>	<b>1% Increase (8.6%)</b>
	Net Pension Liability	<u>\$ 105,226</u>	<u>\$ 95,862</u>

**VILLAGE OF BANCROFT  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2021**

**NOTE 10 – RECEIVABLES**

Receivables as of year-end for the Government’s Major and Non-Major funds are as follows:

	<u>General</u>	<u>Water Operations</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
Accounts receivable					
Billings	\$ 3,150	\$ 7,163	\$ -	\$ -	\$ 10,313
State revenue	7,901	-	12,357	3,918	24,176
Gross receivables	<u>11,051</u>	<u>7,163</u>	<u>12,357</u>	<u>3,918</u>	<u>34,489</u>
Due within one year	<u>\$ 11,051</u>	<u>\$ 7,163</u>	<u>\$ 12,357</u>	<u>\$ 3,918</u>	<u>\$ 34,489</u>

**NOTE 11 – INTERFUND OPERATING TRANSFERS**

	<u>Transfer from Other Funds</u>	<u>Transfer to Other Funds</u>
Local Street	\$ 17,711	\$ -
Major Street	-	17,711
	<u>\$ 17,711</u>	<u>\$ 17,711</u>

**NOTE 12 – BUILDING PERMITS**

The Village elected to report the financial activities of the building and zoning activity in the General fund. The following is the required information as it relates to this activity for the year ended February 28, 2021:

<b>Revenues</b>	
Building permits	\$ 50
<b>Expenditures</b>	
Contracted services	-
Excess of revenues over expenditures	<u>\$ 50</u>



**VILLAGE OF BANCROFT  
NOTES TO FINANCIAL STATEMENTS  
FEBRUARY 28, 2021**

**NOTE 13 – FUND BALANCE CONSTRAINTS**

The details of the various components of fund balance are as follows:

	<u>General Fund</u>	<u>Local Street Fund</u>	<u>Major Street Fund</u>	<u>DDA</u>	<u>Total</u>
<b>Fund balances</b>					
Nonspendable:					
Prepaid insurance	\$ 4,616	\$ -	\$ -	\$ -	\$ 4,616
Restricted:					
Act 51 Street Money	-	116,945	124,413	-	241,358
Community Hall	-	-	-	26,733	26,733
Community Projects	656	-	-	-	656
Unassigned	54,272	-	-	-	54,272
Total fund balances	<u>\$ 59,544</u>	<u>\$ 116,945</u>	<u>\$ 124,413</u>	<u>\$ 26,733</u>	<u>\$ 327,635</u>

**NOTE 14 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through August 12, 2021, the date of the financial statements were available to be issued.

On May 18, 2021, the Village of Bancroft issued a \$1,184,000 bond series and used the proceeds to repay existing long-term debt (see Note 7). The bonds are to be paid back over 15 years with interest of 1.75% per annum. Principal and interest are payable semi-annually on May 1st and November 1st beginning on November 1, 2021. The bond is not a general obligation and must be paid from the net revenues of the Water fund. The bond was issued and payable to Huron Community Bank, and both principal and interest are secured by a statutory lien upon the whole of the net revenues of the Water fund until paid in full. The agreement contains various covenants including maintaining the water system, undergoing annual audits, and acquiring insurance.

**REQUIRED SUPPLEMENTARY INFORMATION**

**VILLAGE OF BANCROFT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL  
YEAR ENDED FEBRUARY 28, 2021**

	<i>Budgeted Amounts</i>			<b>Favorable (Unfavorable) Final to Actual</b>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
<b>REVENUES</b>				
Current property taxes	\$ 136,000	\$ 104,526	\$ 68,856	\$ (35,670)
Garbage fees	-	31,474	31,474	-
State shared revenue	62,800	62,800	55,832	(6,968)
Local revenues	23,850	23,850	7,950	(15,900)
Metro act money	-	-	3,109	3,109
Grant	-	-	16,641	16,641
Community and economic development	-	-	3,990	3,990
<b>Total revenues</b>	<u>222,650</u>	<u>222,650</u>	<u>187,852</u>	<u>(34,798)</u>
<b>EXPENDITURES</b>				
Village office	7,100	8,050	8,028	22
Legislative	34,750	41,400	41,451	(51)
Executive	2,967	2,967	2,820	147
Clerk	2,967	3,117	3,095	22
Treasurer	4,717	4,717	4,310	407
Village hall	3,800	3,800	3,297	503
DPW	80,625	76,450	71,977	4,473
Police	48,800	48,800	36,482	12,318
Recreation and culture	13,800	26,000	25,830	170
Community and economic development	5,000	550	3,202	(2,652)
<b>Total expenditures</b>	<u>204,526</u>	<u>215,851</u>	<u>200,492</u>	<u>15,359</u>
<b>Excess (deficiency) of revenues Over (under) expenditures</b>	<u>18,124</u>	<u>6,799</u>	<u>(12,640)</u>	<u>(19,439)</u>
Net change in fund balance	18,124	6,799	(12,640)	(19,439)
Fund balances, beginning of year	72,184	72,184	72,184	-
<b>Fund balances, end of year</b>	<u>\$ 90,308</u>	<u>\$ 78,983</u>	<u>\$ 59,544</u>	<u>\$ (19,439)</u>

See accompanying notes

**VILLAGE OF BANCROFT  
LOCAL STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL  
YEAR ENDED FEBRUARY 28, 2021**

	<u>Budgeted Amounts</u>			<b>Favorable (Unfavorable) Final to Actual</b>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
<b>REVENUES</b>				
State shared revenue	\$ 36,596	\$ 18,885	\$ 21,641	\$ 2,756
Interest	-	-	90	90
Other	-	-	616	616
<b>Total revenues</b>	<u>36,596</u>	<u>18,885</u>	<u>22,347</u>	<u>3,462</u>
<b>Other financing sources</b>				
Transfers from other funds	-	17,711	17,711	-
Total revenues and other financing sources	36,596	36,596	40,058	3,462
<b>EXPENDITURES</b>				
Highways and streets	36,596	36,596	14,160	22,436
<b>Total expenditures</b>	<u>36,596</u>	<u>36,596</u>	<u>14,160</u>	<u>22,436</u>
<b>Excess (deficiency) of revenues Over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>25,898</u>	<u>25,898</u>
Net change in fund balance	-	-	25,898	25,898
Fund balances, beginning of period	91,047	91,047	91,047	-
<b>Fund balances, end of period</b>	<u>\$ 91,047</u>	<u>\$ 91,047</u>	<u>\$ 116,945</u>	<u>\$ 25,898</u>

See accompanying notes

**VILLAGE OF BANCROFT  
MAJOR STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL  
YEAR ENDED FEBRUARY 28, 2021**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<b>Favorable (Unfavorable) Final to Actual</b>
	<i>Original</i>	<i>Final</i>		
<b>REVENUES</b>				
State shared revenue	\$ 81,000	\$ 90,000	\$ 68,348	\$ (21,652)
<b>Total revenues</b>	<u>81,000</u>	<u>90,000</u>	<u>68,348</u>	<u>(21,652)</u>
<b>EXPENDITURES</b>				
Highways and streets	70,055	72,289	50,413	21,876
<b>Total expenditures</b>	<u>70,055</u>	<u>72,289</u>	<u>50,413</u>	<u>21,876</u>
<b>Other financing uses</b>				
Transfers to other funds	-	17,711	17,711	-
<b>Total expenditures and other financing sources</b>	<u>70,055</u>	<u>90,000</u>	<u>68,124</u>	<u>21,876</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>10,945</u>	<u>-</u>	<u>224</u>	<u>224</u>
Net change in fund balance	10,945	-	224	224
Fund balances, beginning of period	124,189	124,189	124,189	-
<b>Fund balances, end of period</b>	<u><u>\$ 135,134</u></u>	<u><u>\$ 124,189</u></u>	<u><u>\$ 124,413</u></u>	<u><u>\$ 224</u></u>

*See accompanying notes*

**VILLAGE OF BANCROFT**  
**SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY**  
**AND RELATED RATIOS**  
**YEAR ENDED FEBRUARY 28, 2021**

<u>Primary Government</u>	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Total pension liability</b>										
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,106	\$ -	\$ -	\$ -	\$ -
Interest	6,927	6,984	7,080	7,071	8,120	7,996	-	-	-	-
Change of benefit terms	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	1,251	1,120	(393)	924	(13,350)	(981)	-	-	-	-
Changes of assumptions	484	3,617	-	-	-	4,401	-	-	-	-
Benefit payments including employee refunds	(7,884)	(7,884)	(7,884)	(7,884)	(7,884)	(7,884)	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
<b>Net change in total pension liability</b>	778	3,837	(1,197)	111	(13,114)	5,638	-	-	-	-
Total pension liability, beginning	95,084	91,247	92,444	92,333	105,447	99,809	-	-	-	-
<b>Total pension liability, ending</b>	<b>\$ 95,862</b>	<b>\$ 95,084</b>	<b>\$ 91,247</b>	<b>\$ 92,444</b>	<b>\$ 92,333</b>	<b>\$ 105,447</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan fiduciary net position</b>										
Contributions - employer	\$ 5,242	\$ 4,676	\$ 4,802	\$ 7,230	\$ 6,383	\$ 5,715	\$ -	\$ -	\$ -	\$ -
Contributions - employee	-	-	-	-	-	-	-	-	-	-
Net investment income	3,066	3,368	(1,152)	3,582	2,865	(417)	-	-	-	-
Benefit payments including employee refunds	(7,884)	(7,884)	(7,884)	(7,884)	(7,884)	(7,884)	-	-	-	-
Administrative expense and other changes	-	-	-	-	-	(62)	-	-	-	-
<b>Net change in plan fiduciary net position</b>	424	160	(4,234)	2,928	1,364	(2,648)	-	-	-	-
Plan fiduciary net position, beginning	26,780	26,620	30,854	27,926	26,562	29,210	-	-	-	-
<b>Plan fiduciary net position, ending</b>	<b>\$ 27,204</b>	<b>\$ 26,780</b>	<b>\$ 26,620</b>	<b>\$ 30,854</b>	<b>\$ 27,926</b>	<b>\$ 26,562</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Employer net position liability</b>	<b>\$ 68,658</b>	<b>\$ 68,304</b>	<b>\$ 64,627</b>	<b>\$ 61,590</b>	<b>\$ 64,407</b>	<b>\$ 78,885</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	28.4%	28.2%	29.2%	33.4%	30.2%	25.2%	0.0%	0.0%	0.0%	0.0%
<b>Covered employee payroll</b>	-	-	6,352	6,352	6,352	40,581	-	-	-	-
<b>Employer's net pension liability as a percentage of covered employee payroll</b>	0.0%	0.0%	1017.4%	969.6%	1014.0%	194.4%	0.0%	0.0%	0.0%	0.0%

**Notes to schedule:**

*Benefit changes:* There were no changes in benefits during the periods presented.

*Changes in assumptions:* There was an update in demographic assumptions including mortality, retirement, disability, and termination rates.

The information above is based on the December 31 valuation date.

These totals and ratios for years 2010 through 2020 are shown for comparative purposes and reflect the actuarial liability, actuarial value of assets, unfunded actuarial liability and covered payroll as reported in 2020 financial statements in the Schedule of Funding progress.

See accompanying notes

**VILLAGE OF BANCROFT  
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS  
YEAR ENDED FEBRUARY 28, 2021**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarial determined contributions	\$ 6,660	\$ 5,448	\$ 4,968	\$ 4,620	\$ 7,764	\$ 7,764	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	5,242	4,676	4,802	7,230	6,383	5,715	-	-	-	-
<b>Contribution excess (deficiency)</b>	<b>\$ (1,418)</b>	<b>\$ (772)</b>	<b>\$ (166)</b>	<b>\$ 2,610</b>	<b>\$ (1,381)</b>	<b>\$ (2,049)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered employee payroll</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,352</b>	<b>\$ 6,352</b>	<b>\$ 6,352</b>	<b>\$ 40,581</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Contributions as a percentage of covered employee payroll</b>	<b>0.00%</b>	<b>0.00%</b>	<b>75.60%</b>	<b>113.82%</b>	<b>100.49%</b>	<b>14.08%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

**Notes to schedule:**

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	13 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.00% - 14.75%
Investment rate of return	7.35%
Retirement age	Various depending on plan adoption
Mortality	50% Female/50% Male 1994 Group Annuity Mortality Table

Above dates are based on the actuarial measurement date

*See accompanying notes*

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

Village of Bancroft  
To the President and  
Members of the Village Council  
Bancroft, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Bancroft, Michigan, as of and for the year ended February 28, 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated August 12, 2021.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village of Bancroft'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 the Village of Bancroft's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Bancroft's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village of Bancroft's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on financial statements. However, providing an opinion on compliance with those provisions was



not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Roy, Noje & Warren, CPA, P.C.*

Flint, Michigan  
August 12, 2021