

Village of Bancroft
Audited Financial Statements and
Required Supplementary Information
February 28, 2022

**VILLAGE OF BANCROFT
ELECTED OFFICIALS**

Brian Barnum	President
Tina Holmes	Clerk
Holly Sammons	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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Bancroft, Michigan, 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 Bancroft, Michigan, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village of Bancroft 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.

Responsibility 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 Bancroft's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosure 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 Bancroft'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Bancroft'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, schedules of funding progress and employer contributions, and budgetary comparison information on pages 4-7 and 31-35 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2022, 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.

Roy, Noze & Warner, C.P.A.P.C.

Flint, Michigan
October 13, 2022

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, 2022. 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, 2022:

1. State-shared revenue, one of our largest revenue sources in the General Fund, increased \$14,697 for fiscal year ended February 28, 2022. It decreased \$6,435 for the fiscal year ended February 28, 2021.
2. Property taxes and administrative fees decreased \$1,274 for the fiscal year ended February 28, 2022. Property taxes and administrative fees increased \$3,617 for the fiscal year ended February 28, 2021. The increase is due to an increase in taxable property values.
3. Act 51 revenue for the Street Funds increased \$10,505 for the fiscal year ended February 28, 2022. For the fiscal year ending February 28, 2021, Act 51 revenues for the Street Funds decreased \$3,782.
4. The fund balance of the Village's General Fund increased \$26,072 to \$85,616 for the fiscal year ended February 28, 2022.
5. Transfers include \$18,902 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, 2022 compared to February 28, 2021:

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Assets						
Current assets	\$ 476,279	\$ 452,891	\$ 333,956	\$ 300,895	\$ 810,235	\$ 753,786
Noncurrent assets	331,496	277,225	1,002,086	1,033,758	1,333,582	1,310,983
Total assets	\$ 807,775	\$ 730,116	\$ 1,336,042	\$ 1,334,653	\$ 2,143,817	\$ 2,064,769
Liabilities						
Current liabilities	\$ 50,080	\$ 77,430	\$ 78,218	\$ 49,035	\$ 128,298	\$ 126,465
Noncurrent liabilities	70,280	68,658	1,063,000	1,118,000	1,133,280	1,186,658
Total liabilities	\$ 120,360	\$ 146,088	\$ 1,141,218	\$ 1,167,035	\$ 1,261,578	\$ 1,313,123
Net Position						
Net investment in capital assets	\$ 331,496	\$ 277,225	\$ (60,914)	\$ (84,242)	\$ 270,582	\$ 192,983
Restricted	342,228	275,522	91,546	80,874	433,774	356,396
Unrestricted	13,691	31,281	164,192	170,986	177,883	202,267
Total net position	\$ 687,415	\$ 584,028	\$ 194,824	\$ 167,618	\$ 882,239	\$ 751,646

VILLAGE OF BANCROFT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the change in net position for the year ended February 28, 2022, compared to February 28, 2021:

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Charges for services	\$ 51,160	\$ 57,449	\$ 154,246	\$ 140,647	205,406	198,096
General revenues:						
State-shared revenues	198,302	145,821	-	-	198,302	145,821
Tax collections	70,617	71,891	-	-	70,617	71,891
Interest revenues	79	279	174	454	253	733
Grant	26,115	16,641	-	-	26,115	16,641
Community and economic development	15,866	8,222	-	-	15,866	8,222
Other general revenues	12,923	11,675	-	-	12,923	11,675
Total revenues	375,062	311,978	154,420	141,101	529,482	453,079
Expenses						
Program expenses:						
General government	119,403	91,978	-	-	119,403	91,978
Public safety	42,897	39,669	-	-	42,897	39,669
Public works	66,168	72,331	-	-	66,168	72,331
Community and economic development	6,716	3,746	-	-	6,716	3,746
Recreation and culture	10,493	1,825	-	-	10,493	1,825
Highways and streets	25,998	66,042	-	-	25,998	66,042
Water service	-	-	127,214	123,378	127,214	123,378
Total expenses	271,675	275,591	127,214	123,378	398,889	398,969
Change in net position	\$ 103,387	\$ 36,387	\$ 27,206	\$ 17,723	\$ 130,593	\$ 54,110

Governmental Activities

For the year ended February 28, 2022 the Village's total revenues was \$529,482 with the greatest revenue sources being state-shared revenues and charges for services, making up approximately 76% of total revenues. For year ended February 28, 2021 the Village's revenues totaled \$453,079 with the greatest revenue sources being state-shared revenues and charges for services, making up approximately 76% of total revenues. For the year ended February 28, 2022, the Village incurred expenditures of \$398,889 compared to \$398,969 for the year ended February 28, 2021. 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 10 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 \$84,830 for year ended February 28, 2022 and \$81,198 for the year ended February 28, 2021 toward the principal and interest on the water improvement bonds. The Major and Local Street Funds combined paid a total of \$96,473 for the year ended February 28, 2022 and \$64,573 for the year ended February 28, 2021 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 village office and legislative expenditures. Overall, the General Fund's expenditures were under budget by \$36,637 in the fiscal year ended February 28, 2022 and under budget by \$15,359 in the fiscal year ended February 28, 2021.

Capital Assets

For year ended February 28, 2022, the Village had approximately \$438,223 (valued at historical cost) in assets which includes furniture, office equipment, and software. Accumulated depreciation recorded for the general Village assets was \$140,070.

The Equipment Fund had approximately \$291,677 (valued at historical cost) in assets with accumulated depreciation of \$258,334. The Water Fund had approximately \$243,167 (valued at historical cost) in equipment assets with \$230,210 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 \$439,002.

Long-Term Debt

For year ended February 28, 2022, the Village paid \$50,000 in bond principal and \$34,830 in interest. For year ended February 28, 2021, the Village paid \$29,000 in bond principal and \$52,198 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, 2022**

	Primary Government		
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 449,741	\$ 207,909	\$ 657,650
Cash and cash equivalents - RD bond reserve	-	66,429	66,429
Prepaid expenses	6,960	877	7,837
Accounts receivable	19,578	13,589	33,167
Due from other funds	-	45,152	45,152
Total current assets	<u>476,279</u>	<u>333,956</u>	<u>810,235</u>
Noncurrent assets:			
Capital assets not being depreciated	-	10,000	10,000
Capital assets net of accumulated depreciation	331,496	992,086	1,323,582
Total noncurrent assets	<u>331,496</u>	<u>1,002,086</u>	<u>1,333,582</u>
Total assets	<u><u>\$ 807,775</u></u>	<u><u>\$ 1,336,042</u></u>	<u><u>\$ 2,143,817</u></u>
LIABILITIES			
Current liabilities:			
Accrued payroll and related liabilities	\$ 4,928	\$ 657	\$ 5,585
Due to other funds	45,152	-	45,152
Accrued interest payable	-	6,561	6,561
Current portion on long-term debt	-	71,000	71,000
Total current liabilities	<u>50,080</u>	<u>78,218</u>	<u>128,298</u>
NONCURRENT LIABILITIES			
Long-term debt	-	1,063,000	1,063,000
Net pension obligation	70,280	-	70,280
Total liabilities	<u><u>\$ 120,360</u></u>	<u><u>\$ 1,141,218</u></u>	<u><u>\$ 1,261,578</u></u>
NET POSITION			
Capital assets, net of related debt	\$ 331,496	\$ (60,914)	\$ 270,582
Restricted for:			
CLFRF Grant	26,010	-	26,010
Community projects	2,009	-	2,009
Debt service	-	90,669	90,669
Prepaid expenses	6,960	877	7,837
Special revenue funds	307,249	-	307,249
Unrestricted	13,691	164,192	177,883
Total net position	<u><u>\$ 687,415</u></u>	<u><u>\$ 194,824</u></u>	<u><u>\$ 882,239</u></u>

See accompanying notes

**VILLAGE OF BANCROFT
STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2022**

FUNCTIONS/PROGRAMS	Program		Net Revenue (Expense)		
	<i>Expenses</i>	<i>Charges for Services</i>	<i>Governmental Activities</i>	<i>Business Type Activities</i>	<i>Total</i>
Primary government					
Governmental activities:					
General government	\$ 119,403	\$ 51,160	\$ (68,243)	\$ -	\$ (68,243)
Public safety	42,897	-	(42,897)	-	(42,897)
Public works	66,168	-	(66,168)	-	(66,168)
Recreation and culture	10,493	-	(10,493)	-	(10,493)
Highways and streets	25,998	-	(25,998)	-	(25,998)
Community and economic development	6,716	-	(6,716)	-	(6,716)
Total governmental activities	<u>271,675</u>	<u>51,160</u>	<u>(220,515)</u>	<u>-</u>	<u>(220,515)</u>
Business-type activities:					
Water operations and improvement funds	127,214	154,246	-	27,032	27,032
Total business-type activities	<u>127,214</u>	<u>154,246</u>	<u>-</u>	<u>27,032</u>	<u>27,032</u>
Total primary government	<u>\$ 398,889</u>	<u>\$ 205,406</u>	<u>(220,515)</u>	<u>27,032</u>	<u>(193,483)</u>
General purpose revenues:					
Current property taxes			70,617	-	70,617
State shared revenues			198,302	-	198,302
Local revenues			9,689	-	9,689
Interest			79	174	253
Metro act			3,234	-	3,234
Grant			26,115	-	26,115
Community and economic development			15,866	-	15,866
Total general revenues			<u>323,902</u>	<u>174</u>	<u>324,076</u>
Change in net position			<u>103,387</u>	<u>27,206</u>	<u>130,593</u>
Net position at beginning of year			584,028	167,618	751,646
Net position at end of period			<u>\$ 687,415</u>	<u>\$ 194,824</u>	<u>\$ 882,239</u>

See accompanying notes

**VILLAGE OF BANCROFT
GOVERNMENTAL FUNDS
BALANCE SHEET
FEBRUARY 28, 2022**

	<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>	
ASSETS					
Cash and cash equivalents	\$ 124,789	\$ 143,310	\$ 115,470	\$ 34,531	\$ 418,100
Prepaid expenses	4,742	-	-	-	4,742
Accounts receivable	2,773	4,033	12,772	-	19,578
Due from other funds	7,898	5,251	-	-	13,149
Total assets	<u>\$ 140,202</u>	<u>\$ 152,594</u>	<u>\$ 128,242</u>	<u>\$ 34,531</u>	<u>\$ 455,569</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related liabilities	3,867	174	572	-	4,613
Due to other funds	50,719	675	6,697	-	58,091
Total liabilities	<u>54,586</u>	<u>849</u>	<u>7,269</u>	<u>-</u>	<u>62,704</u>
FUND BALANCE					
Nonspendable	4,742	-	-	-	4,742
Restricted for CLFRF grant	26,010	-	-	-	26,010
Restricted for community projects	2,009	-	-	-	2,009
Restricted for special revenue funds	-	151,745	120,973	34,531	307,249
Unassigned	52,855	-	-	-	52,855
Total fund balance	<u>85,616</u>	<u>151,745</u>	<u>120,973</u>	<u>34,531</u>	<u>392,865</u>
Total liabilities and fund balance	<u>\$ 140,202</u>	<u>\$ 152,594</u>	<u>\$ 128,242</u>	<u>\$ 34,531</u>	<u>\$ 455,569</u>

See accompanying notes

**VILLAGE OF BANCROFT
GOVERNMENTAL FUNDS
RECONCILIATION OF FUNDS BALANCE SHEET TO
STATEMENT OF NET POSITION
FEBRUARY 28, 2022**

Total fund balance - governmental funds	\$	392,865
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.		298,153
Pension obligation not recorded in fund financial statements.		(70,280)
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>66,677</u>
Total net position of governmental activities	\$	<u><u>687,415</u></u>

See accompanying notes

**VILLAGE OF BANCROFT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
YEAR ENDED FEBRUARY 28, 2022**

	<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>	
REVENUES					
Current property taxes	\$ 70,617	\$ -	\$ -	\$ -	\$ 70,617
Garbage fees	30,897	-	-	-	30,897
State shared revenue	70,529	24,146	103,627	-	198,302
Local revenues	9,689	-	-	-	9,689
Metro act money	3,234	-	-	-	3,234
Grant	26,115	-	-	-	26,115
Community and economic development	3,863	-	-	12,003	15,866
Total revenues	<u>214,944</u>	<u>24,146</u>	<u>103,627</u>	<u>12,003</u>	<u>354,720</u>
EXPENDITURES					
General government	76,012	-	-	-	76,012
Highways and streets	-	8,308	88,165	-	96,473
Public safety	37,563	-	-	-	37,563
Public works	64,546	-	-	-	64,546
Recreation and culture	8,240	-	-	-	8,240
Community and economic development	2,511	-	-	4,205	6,716
Total expenditures	<u>188,872</u>	<u>8,308</u>	<u>88,165</u>	<u>4,205</u>	<u>289,550</u>
Excess (deficiency) of revenues					
Over (under) expenditures	26,072	15,838	15,462	7,798	65,170
Other financing sources (uses)					
Interest	-	60	-	-	60
Transfers from other funds	-	18,902	-	-	18,902
Transfers to other funds	-	-	(18,902)	-	(18,902)
Net other financing sources (uses)	<u>-</u>	<u>18,962</u>	<u>(18,902)</u>	<u>-</u>	<u>60</u>
Net change in fund balances	<u>26,072</u>	<u>34,800</u>	<u>(3,440)</u>	<u>7,798</u>	<u>65,230</u>
Fund balances, beginning of year	59,544	116,945	124,413	26,733	327,635
Fund balances, end of year	<u>\$ 85,616</u>	<u>\$ 151,745</u>	<u>\$ 120,973</u>	<u>\$ 34,531</u>	<u>\$ 392,865</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, 2022**

Net change in fund balances - total government funds	\$	65,230
<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>		
		56,490
Change in pension obligation not recorded in fund financial statements.		(1,622)
<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>		
		<u>(16,711)</u>
Changes in net position of governmental activities	\$	<u><u>103,387</u></u>

See accompanying notes

**VILLAGE OF BANCROFT
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 FEBRUARY 28, 2022**

	<i>Business-Type Activities Enterprise Water Fund</i>	<i>Governmental Activities Internal Fund</i>
	<u> </u>	<u> </u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 207,909	\$ 31,641
Cash and cash equivalents - RD bond reserve	66,429	-
Prepaid expenses	877	2,218
Accounts receivable	13,589	-
Due from other funds	50,005	714
Total current assets	<u>338,809</u>	<u>34,573</u>
Noncurrent assets:		
Capital assets not being depreciated	10,000	-
Capital assets net of accumulated depreciation	992,086	33,343
Total noncurrent assets	<u>1,002,086</u>	<u>33,343</u>
Total assets	<u><u>\$ 1,340,895</u></u>	<u><u>\$ 67,916</u></u>
 LIABILITIES		
Current liabilities:		
Due to other funds	\$ 4,853	\$ 924
Accrued interest payable	6,561	-
Accrued payroll and related liabilities	657	315
Current portion on long-term debt	71,000	-
Total current liabilities	<u>83,071</u>	<u>1,239</u>
 NONCURRENT LIABILITIES		
Long-term debt	<u>1,063,000</u>	<u>-</u>
Total liabilities	<u><u>\$ 1,146,071</u></u>	<u><u>\$ 1,239</u></u>
 NET POSITION		
Capital assets, net of related debt	\$ (60,914)	\$ 33,343
Restricted for:		
Debt service	90,669	-
Prepaid expenses	877	2,218
Unrestricted	164,192	31,116
Total net position	<u><u>\$ 194,824</u></u>	<u><u>\$ 66,677</u></u>

See accompanying notes

**VILLAGE OF BANCROFT
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 YEAR ENDED FEBRUARY 28, 2022**

	<i>Business-Type Activities Enterprise Water Fund</i>	<i>Governmental Activities Internal Fund</i>
	<u> </u>	<u> </u>
OPERATING REVENUES		
Water usage fees	\$ 67,569	\$ -
Ready to serve fees	82,536	-
Shut off fees, penalties, and miscellaneous	4,141	-
Equipment rental and sales	-	20,263
Total operating revenues	<u>154,246</u>	<u>20,263</u>
OPERATING EXPENSES		
General government	-	36,993
Water	103,439	-
Total operating expenses	<u>103,439</u>	<u>36,993</u>
Operating income (loss)	50,807	(16,730)
Non-operating revenues (expenses)		
Interest earnings	174	19
Interest expense	(23,775)	-
Net non-operating revenues (expenses)	<u>(23,601)</u>	<u>19</u>
Change in net position	27,206	(16,711)
Fund balances, beginning of year	167,618	83,388
Fund balances, end of year	<u>\$ 194,824</u>	<u>\$ 66,677</u>

See accompanying notes

**VILLAGE OF BANCROFT
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED FEBRUARY 28, 2022**

	<i>Business-Type Activities Enterprise Water Fund</i>	<i>Governmental Activities Internal Fund</i>
	<i>Fund</i>	<i>Fund</i>
Cash flows from operating activities		
Cash receipts from customers	\$ 148,788	\$ -
Cash receipts for interfund services provided	-	20,770
Cash paid to suppliers	(53,426)	(20,790)
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	77,061	(6,016)
Cash flows from investing activities		
Purchase of fixed assets	-	(8,000)
Interest earned	174	19
Net cash from investing activities	174	(7,981)
Cash flows from capital and related financing activities		
Proceeds from issuance of bonds	35,174	
Payments on bonds/RDA loans	(50,000)	-
Interest paid	(34,830)	-
Net cash from capital and related financing activities	(49,656)	-
Net change in cash and cash equivalents	27,579	(13,997)
Cash and cash equivalents at beginning of year	246,759	45,638
Cash and cash equivalents at end of year	\$ 274,338	\$ 31,641
Reconciliation of operating income (loss) to net cash from operating activities		
Income from operations	\$ 50,807	\$ (16,730)
Adjustments to reconcile income from operations to net cash from operating activities		
Change in receivables	(6,426)	-
Change in interfund payables	968	507
Depreciation	31,672	10,219
Change in payables	-	-
Change in accruals	64	47
Change in prepaids	(24)	(59)
Net cash from operating activities	\$ 77,061	\$ (6,016)

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, 2022**

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, 2022**

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, 2022**

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, 2022**

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, 2022**

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 2021 taxable valuation of the Village is \$7,272,716 on which taxes levied consisted of 9.6478 mills operation raising \$70,164 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, 2022**

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, 2022**

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, \$378,516 of the Village’s bank deposits of \$769,636 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	\$ 387,292	\$ 250,000	\$ 137,292
Savings	241,224	-	241,224
Certificate of Deposits	141,120	141,120	-
	<u>\$ 769,636</u>	<u>\$ 391,120</u>	<u>\$ 378,516</u>

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.

**VILLAGE OF BANCROFT
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2022**

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>
Governmental activities				
Capital assets being depreciated:				
General government	\$ 221,212	\$ -	\$ -	\$ 221,212
Public safety	65,906	-	-	65,906
Recreation and culture	47,189	-	-	47,189
Streets	31,972	71,944	-	103,916
Total capital assets being depreciated	<u>366,279</u>	<u>71,944</u>	-	<u>438,223</u>
Less accumulated depreciation for:				
General government	(73,526)	(6,398)	-	(79,924)
Public safety	(43,076)	(5,334)	-	(48,410)
Recreation and culture	(5,674)	(2,253)	-	(7,927)
Streets	(2,340)	(1,469)	-	(3,809)
Total accumulated depreciation	<u>(124,616)</u>	<u>(15,454)</u>	-	<u>(140,070)</u>
Total capital assets being depreciated, net	<u>\$ 241,663</u>	<u>\$ 56,490</u>	<u>\$ -</u>	<u>\$ 298,153</u>

**VILLAGE OF BANCROFT
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2022**

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
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	283,677	8,000	-	291,677
Total capital assets being depreciated	<u>1,944,975</u>	<u>8,000</u>	<u>-</u>	<u>1,952,975</u>
Less accumulated depreciation for:				
Public infrastructure	(410,640)	(28,362)	-	(439,002)
Water operations equipment	(226,900)	(3,310)	-	(230,210)
Public works equipment	(248,115)	(10,219)	-	(258,334)
Total accumulated depreciation	<u>(885,655)</u>	<u>(41,891)</u>	<u>-</u>	<u>(927,546)</u>
Total capital assets being depreciated, net	<u>1,059,320</u>	<u>(33,891)</u>	<u>-</u>	<u>1,025,429</u>
Business-type activities Capital assets, net	<u>\$ 1,069,320</u>	<u>\$ (33,891)</u>	<u>\$ -</u>	<u>\$ 1,035,429</u>
Depreciation expense				
Government activities:				
General government	\$ 6,398			
Public safety	5,334			
Recreation and culture	2,253			
Streets	1,469			
Total governmental activities	<u>\$ 15,454</u>			
Business-type activities:				
Water fund	\$ 31,672			
Equipment fund	10,219			
Total business-type activities	<u>\$ 41,891</u>			

**VILLAGE OF BANCROFT
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2022**

NOTE 7 – WATER FUND OBLIGATIONS

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. 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.

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>
2023	\$ 71,000	\$ 19,669	\$ 90,669
2024	73,000	18,426	91,426
2025	74,000	17,196	91,196
2026	74,000	15,862	89,862
2027	77,000	14,567	91,567
2028-2032	400,000	52,369	452,369
2033-2037	365,000	16,043	381,043
	<u>\$ 1,134,000</u>	<u>\$ 154,132</u>	<u>\$ 1,288,132</u>

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. The employees included in this plan are the DPW personnel.

**VILLAGE OF BANCROFT
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2022**

NOTE 9 – PENSION PLANS (CONTINUED)

Benefits Provided

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

01 – DPW: Closed to New Hires	2021 Valuation
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, 2021, 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	-
	2

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 \$7,104. During the 2021 calendar valuation period, contributions were \$6,440, 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, 2021 were \$0. For the year ended December 31, 2021, the employer recognized pension expense of \$6,440.

Net Pension Liability

The employer’s net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

**VILLAGE OF BANCROFT
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2022**

NOTE 9 – PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability in the December 31, 2021 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: 7.00%, 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 7.25%. 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.

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 7.25%, as well as what the employer’s net pension liability would be using a discount rate that is 1 percentage point lower (6.25 %) or 1 percentage point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	\$ 81,166	\$ 70,280	\$ 61,132

**VILLAGE OF BANCROFT
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2022**

NOTE 9 – PENSION PLANS (CONTINUED)

Changes in Net Pension Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of December 31, 2020	\$ 95,862	\$ 27,204	\$ 68,658
Changes for the year			
Service cost	-	-	-
Interest on total pension liability	6,986	-	6,986
Changes in benefits	-	-	-
Difference between expected and actual experience	1,436	-	1,436
Changes of assumptions	3,379	-	3,379
Employer contributions	-	6,440	(6,440)
Employee contributions	-	-	-
Net investment income	-	3,739	(3,739)
Benefit payments, including employee refunds	(7,884)	(7,884)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	3,917	2,295	1,622
Balances as of December 31, 2021	\$ 99,779	\$ 29,499	\$ 70,280

NOTE 10 – RECEIVABLES

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

	General	Water Operations	Major Street	Local Street	Total
Accounts receivable					
Billings	\$ 2,773	\$ 13,589	\$ -	\$ -	\$ 16,362
State revenue	-	-	12,772	4,033	16,805
Gross receivables	2,773	13,589	12,772	4,033	33,167
Due within one year	\$ 2,773	\$ 13,589	\$ 12,772	\$ 4,033	\$ 33,167

**VILLAGE OF BANCROFT
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2022**

NOTE 11 – INTERFUND OPERATING TRANSFERS

	Transfer from Other Funds	Transfer to Other Funds
Local Street	\$ 18,902	\$ -
Major Street	-	18,902
	<u>\$ 18,902</u>	<u>\$ 18,902</u>

NOTE 12 – FUND BALANCE CONSTRAINTS

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

	General Fund	Local Street Fund	Major Street Fund	DDA	Total
Fund balances					
Nonspendable:					
Prepaid insurance	\$ 4,742	\$ -	\$ -	\$ -	\$ 4,742
Restricted:					
Act 51 Street Money	-	151,745	120,973	-	272,718
CLFRF	26,010	-	-	-	26,010
Community Hall	-	-	-	34,531	34,531
Community Projects	2,009	-	-	-	2,009
Unassigned	52,855	-	-	-	52,855
Total fund balances	<u>\$ 85,616</u>	<u>\$ 151,745</u>	<u>\$ 120,973</u>	<u>\$ 34,531</u>	<u>\$ 392,865</u>

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 13, 2022, the date of the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**VILLAGE OF BANCROFT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL
YEAR ENDED FEBRUARY 28, 2022**

	<u>Budgeted Amounts</u>			Favorable (Unfavorable) Final to Actual
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
REVENUES				
Current property taxes	\$ 136,000	\$ 105,103	\$ 70,617	\$ (34,486)
Garbage fees	-	30,897	30,897	-
State shared revenue	62,800	62,800	70,529	7,729
Local revenues	23,850	23,850	9,689	(14,161)
Metro act money	3,000	3,000	3,234	234
Grant	-	-	26,115	26,115
Community and economic development	500	500	3,863	3,363
Total revenues	<u>226,150</u>	<u>226,150</u>	<u>214,944</u>	<u>(11,206)</u>
EXPENDITURES				
Village office	8,050	16,050	10,876	5,174
Legislative	40,000	56,500	51,797	4,703
Executive	2,967	2,967	2,820	147
Clerk	3,500	3,500	2,905	595
Treasurer	4,717	4,717	3,374	1,343
Village hall	11,800	4,800	4,240	560
DPW	79,675	73,675	64,546	9,129
Police	48,950	48,950	37,563	11,387
Recreation and culture	13,800	10,577	8,240	2,337
Community and economic development	5,050	3,773	2,511	1,262
Total expenditures	<u>218,509</u>	<u>225,509</u>	<u>188,872</u>	<u>36,637</u>
Excess (deficiency) of revenues Over (under) expenditures	<u>7,641</u>	<u>641</u>	<u>26,072</u>	<u>25,431</u>
Net change in fund balance	7,641	641	26,072	25,431
Fund balances, beginning of year	59,544	59,544	59,544	-
Fund balances, end of year	<u>\$ 67,185</u>	<u>\$ 60,185</u>	<u>\$ 85,616</u>	<u>\$ 25,431</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, 2022**

	<u>Budgeted Amounts</u>		<i>Actual</i>	Favorable (Unfavorable) Final to Actual
	<i>Original</i>	<i>Final</i>		
REVENUES				
State shared revenue	\$ 36,596	\$ 17,694	\$ 24,146	\$ 6,452
Interest	-	-	60	60
Total revenues	<u>36,596</u>	<u>17,694</u>	<u>24,206</u>	<u>6,512</u>
Other financing sources				
Transfers from other funds	-	18,902	18,902	-
Total revenues and other financing sources	<u>36,596</u>	<u>36,596</u>	<u>43,108</u>	<u>6,512</u>
EXPENDITURES				
Highways and streets	<u>36,596</u>	<u>36,596</u>	<u>8,308</u>	<u>28,288</u>
Total expenditures	<u>36,596</u>	<u>36,596</u>	<u>8,308</u>	<u>28,288</u>
Excess (deficiency) of revenues Over (under) expenditures	<u>-</u>	<u>-</u>	<u>34,800</u>	<u>34,800</u>
Net change in fund balance	-	-	34,800	34,800
Fund balances, beginning of year	<u>116,945</u>	<u>116,945</u>	<u>116,945</u>	<u>-</u>
Fund balances, end of year	<u>\$ 116,945</u>	<u>\$ 116,945</u>	<u>\$ 151,745</u>	<u>\$ 34,800</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, 2022**

	<i>Budgeted Amounts</i>		<i>Actual</i>	Favorable (Unfavorable) Final to Actual
	<i>Original</i>	<i>Final</i>		
REVENUES				
State shared revenue	\$ 90,000	\$ 117,000	\$ 103,627	\$ (13,373)
Total revenues	<u>90,000</u>	<u>117,000</u>	<u>103,627</u>	<u>(13,373)</u>
EXPENDITURES				
Highways and streets	90,000	98,098	88,165	9,933
Total expenditures	<u>90,000</u>	<u>98,098</u>	<u>88,165</u>	<u>9,933</u>
Other financing uses				
Transfers to other funds	-	18,902	18,902	-
Total expenditures and other financing sources	<u>90,000</u>	<u>117,000</u>	<u>107,067</u>	<u>9,933</u>
Excess (deficiency) of revenues Over (under) expenditures	<u>-</u>	<u>-</u>	<u>(3,440)</u>	<u>(3,440)</u>
Net change in fund balance	-	-	(3,440)	(3,440)
Fund balances, beginning of year	124,413	124,413	124,413	-
Fund balances, end of year	<u>\$ 124,413</u>	<u>\$ 124,413</u>	<u>\$ 120,973</u>	<u>\$ (3,440)</u>

See accompanying notes

VILLAGE OF BANCROFT
SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY
AND RELATED RATIOS
YEAR ENDED FEBRUARY 28, 2022

<u>Primary Government</u>	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total pension liability										
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,106	\$ -	\$ -	\$ -
Interest	6,986	6,927	6,984	7,080	7,071	8,120	7,996	-	-	-
Change of benefit terms	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	1,436	1,251	1,120	(393)	924	(13,350)	(981)	-	-	-
Changes of assumptions	3,379	484	3,617	-	-	-	4,401	-	-	-
Benefit payments including employee refunds	(7,884)	(7,884)	(7,884)	(7,884)	(7,884)	(7,884)	(7,884)	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Net change in total pension liability	3,917	778	3,837	(1,197)	111	(13,114)	5,638	-	-	-
Total pension liability, beginning	95,862	95,084	91,247	92,444	92,333	105,447	99,809	-	-	-
Total pension liability, ending	\$ 99,779	\$ 95,862	\$ 95,084	\$ 91,247	\$ 92,444	\$ 92,333	\$ 105,447	\$ -	\$ -	\$ -
Plan fiduciary net position										
Contributions - employer	\$ 6,440	\$ 5,242	\$ 4,676	\$ 4,802	\$ 7,230	\$ 6,383	\$ 5,715	\$ -	\$ -	\$ -
Contributions - employee	-	-	-	-	-	-	-	-	-	-
Net investment income	3,739	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)	(7,884)	-	-	-
Administrative expense and other changes	-	-	-	-	-	-	(62)	-	-	-
Net change in plan fiduciary net position	2,295	424	160	(4,234)	2,928	1,364	(2,648)	-	-	-
Plan fiduciary net position, beginning	27,204	26,780	26,620	30,854	27,926	26,562	29,210			
Plan fiduciary net position, ending	\$ 29,499	\$ 27,204	\$ 26,780	\$ 26,620	\$ 30,854	\$ 27,926	\$ 26,562	\$ -	\$ -	\$ -
Employer net position liability	\$ 70,280	\$ 68,658	\$ 68,304	\$ 64,627	\$ 61,590	\$ 64,407	\$ 78,885	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of the total pension liability	29.6%	28.4%	28.2%	29.2%	33.4%	30.2%	25.2%	0.0%	0.0%	0.0%
Covered employee payroll	-	-	-	6,352	6,352	6,352	40,581	-	-	-
Employer's net pension liability as a percentage of covered employee payroll	0.0%	0.0%	0.0%	1017.4%	969.6%	1014.0%	194.4%	0.0%	0.0%	0.0%

Notes to schedule:

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

Changes in assumptions: The investment rate of return changed from 7.35% to 7.00%.

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

These totals and ratios for years 2012 through 2021 are shown for comparative purposes and reflect the actuarial liability, actuarial value of assets, unfunded actuarial liability and covered payroll as reported in 2021 financial statements in the Schedule of Funding progress.

See accompanying notes

**VILLAGE OF BANCROFT
SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
YEAR ENDED FEBRUARY 28, 2022**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarial determined contributions	\$ 7,104	\$ 6,660	\$ 5,448	\$ 4,968	\$ 4,620	\$ 7,764	\$ 7,764	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	6,440	5,242	4,676	4,802	7,230	6,383	5,715	-	-	-
Contribution excess (deficiency)	\$ (664)	\$ (1,418)	\$ (772)	\$ (166)	\$ 2,610	\$ (1,381)	\$ (2,049)	\$ -	\$ -	\$ -
Covered employee payroll	\$ -	\$ -	\$ -	\$ 6,352	\$ 6,352	\$ 6,352	\$ 40,581	\$ -	\$ -	\$ -
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	75.60%	113.82%	100.49%	14.08%	0.00%	0.00%	0.00%

Notes to schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	12 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.00%
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, 2022, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated October 13, 2022.

Report on 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 were not identified.

Report on 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.

Ray, Noje & Warner, CPAs, P.C.

Flint, Michigan
October 13, 2022