

VILLAGE OF STOCKBRIDGE
INGHAM COUNTY, MICHIGAN

AUDITORS' REPORT
YEAR ENDED FEBRUARY 28, 2022

DRAFT

INDEX
AUDITORS' REPORT

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 9
<u>BASIC FINANCIAL STATEMENTS</u>	
<u>GOVERNMENT-WIDE FINANCIAL STATEMENTS</u>	
STATEMENT OF NET POSITION	10
STATEMENT OF ACTIVITIES	11 - 12
<u>FUND FINANCIAL STATEMENTS</u>	
BALANCE SHEET - GOVERNMENTAL FUNDS	13
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES	14
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	15
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	16
STATEMENT OF NET POSITION - PROPRIETARY FUNDS	17
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS	18
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS	19
NOTES TO FINANCIAL STATEMENTS	20 - 39
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS	40
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS	41
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND	42
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - MAJOR STREET FUND - SPECIAL REVENUE FUND	43
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - LOCAL STREET FUND - SPECIAL REVENUE FUND	44
<u>OTHER INFORMATION</u>	
COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS	45
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS	46
BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT - GOVERNMENTAL FUND	47
DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT - RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES	48
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT - GOVERNMENTAL FUND	49
DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT - RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES	50

December 16, 2022

Independent Auditors' Report

Members of the Township Board
Village of Stockbridge
Ingham County, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Village of Stockbridge, Ingham County, 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 index.

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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Village of Stockbridge, Ingham County, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial statement section of our report. We are required to be independent of the Village of Stockbridge and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Village of Stockbridge's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Village of Stockbridge'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, budgetary comparison information, and required pension schedules be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Stephenson & Company, P.C.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

STATEMENT OF NET POSITION
February 28, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
Assets				
Cash and Cash Equivalents	\$ 1,241,608	\$ 18,011	\$ 1,259,619	\$ 503,232
Receivables:				
Accounts, Net	28,573	263,345	291,918	0
Due from Primary Government	0	0	0	861
Due from State	84,528	0	84,528	0
Due from Other Governmental Units	0	0	0	32,007
Internal Balances	84,335	(84,335)	0	0
Prepaid Items	6,672	0	6,672	0
Noncurrent Assets:				
Capital Assets Not Being Depreciated	274,778	83,021	357,799	54,752
Capital Assets, Net of Accumulated Depreciation	1,865,533	2,362,179	4,227,712	318,137
Total Assets	<u>3,586,027</u>	<u>2,642,221</u>	<u>6,228,248</u>	<u>908,989</u>
Deferred Outflows of Resources				
Deferred Amounts Related to Pensions	20,606	7,091	27,697	0
Liabilities				
Accounts Payable	32,211	14,314	46,525	18,011
Due to Component Unit	861	0	861	0
Due to Other Units of Government	750	0	750	0
Accrued Interest Payable	0	6,629	6,629	0
Deposits Payable	0	1,730	1,730	0
Accrued Liabilities	23,430	2,428	25,858	0
Unearned Revenue	65,418	0	65,418	0
Long Term Liabilities:				
Due Within One Year	0	220,000	220,000	0
Due In More Than One Year	6,980	438,445	445,425	0
Net Pension Liability	261,157	46,489	307,646	0
Total Liabilities	<u>390,807</u>	<u>730,035</u>	<u>1,120,842</u>	<u>18,011</u>
Deferred Inflows of Resources				
Deferred Amounts Related to Pensions	29,223	33,864	63,087	0
Net Position				
Net Investment in Capital Assets	2,140,311	1,786,755	3,927,066	372,889
Restricted For:				
Economic Development	0	0	0	518,089
Law Enforcement Programs	1,836	0	1,836	0
Major Streets	401,246	0	401,246	0
Local Streets	167,956	0	167,956	0
Permanent Funds:				
Nonexpendable	118,037	0	0	0
Unrestricted	357,217	98,658	455,875	0
Total Net Position	<u>\$ 3,186,603</u>	<u>\$ 1,885,413</u>	<u>\$ 5,072,016</u>	<u>\$ 890,978</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

STATEMENT OF ACTIVITIES
For the Year Ended February 28, 2022

Function/Program	Net (Expense) Revenue and Changes in Net Position							Component Unit Downtown Development Authority
	Expenses	Program Revenues			Primary Government			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities:								
General Government:								
Legislative and Executive	\$ 41,987	\$ 0	\$ 0	\$ 0	\$ (41,987)	\$ 0	\$ (41,987)	
Financial and Tax Administration	13,036	0	0	0	(13,036)	0	(13,036)	
Other General Government	35,651	4,380	0	0	(31,271)	0	(31,271)	
Public Safety:								
Police	265,993	450	500	0	(265,043)	0	(265,043)	
Public Works:								
Solid Waste	50,991	67,746	0	0	16,755	0	16,755	
Other Public Works	140,110	37,113	151,423	0	48,426	0	48,426	
Community and Economic Development	12,047	0	0	0	(12,047)	0	(12,047)	
Recreation and Cultural	183,474	0	0	2,000	(181,474)	0	(181,474)	
Total Governmental Activities	<u>743,289</u>	<u>109,689</u>	<u>151,923</u>	<u>2,000</u>	<u>(479,677)</u>	<u>0</u>	<u>(479,677)</u>	
Business-Type Activities:								
Sewer Services	515,502	402,599	0	0	0	(112,903)	(112,903)	
Water Services	300,315	275,173	0	0	0	(25,142)	(25,142)	
Building Department	18,405	17,841	0	0	0	(564)	(564)	
Total Business-Type Activities	<u>834,222</u>	<u>695,613</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(138,609)</u>	<u>(138,609)</u>	
Total Primary Government	<u>\$ 1,577,511</u>	<u>\$ 805,302</u>	<u>\$ 151,923</u>	<u>\$ 2,000</u>	<u>(479,677)</u>	<u>(138,609)</u>	<u>(618,286)</u>	

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

STATEMENT OF ACTIVITIES
For the Year Ended February 28, 2022

Function/Program	Net (Expense) Revenue and Changes in Net Position							Component Unit Downtown Development Authority
	Expenses	Program Revenues			Primary Government			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<u>Component Unit</u> Downtown Development Authority	\$ <u>75,262</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>				\$ <u>(75,262)</u>
General Revenues:								
Property Taxes Levied For:								
General Operating				\$ 263,081	\$ 0	\$ 263,081		0
TIFA				0	0	0		219,986
Roads				92,045	0	92,045		0
State Revenue Sharing				163,470	0	163,470		0
Interest and Investment Earnings				4,443	0	4,443		219
Rent Income				60,906	0	60,906		0
Gain (Loss) on Disposal of Capital Assets				9,874	4,523	14,397		0
Other				27,974	1,508	29,482		0
Total General Revenues				<u>621,793</u>	<u>6,031</u>	<u>627,824</u>		<u>220,205</u>
Change in Net Position				142,116	(132,578)	9,538		144,943
Net Position - Beginning				<u>3,044,487</u>	<u>2,017,991</u>	<u>5,062,478</u>		<u>746,035</u>
Net Position - Ending				<u>\$ 3,186,603</u>	<u>\$ 1,885,413</u>	<u>\$ 5,072,016</u>		<u>\$ 890,978</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

BALANCE SHEET
 GOVERNMENTAL FUNDS
February 28, 2022

	<u>Special Revenue Funds</u>				<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Other Governmental Funds</u>	
<u>Assets</u>					
Cash and Cash Equivalents	\$ 581,483	\$ 373,588	\$ 159,051	\$ 127,486	\$ 1,241,608
Receivables:					
Accounts, Net	25,373	0	0	3,200	28,573
Due from State	43,168	29,566	11,794	0	84,528
Due from Other Funds	84,335	0	0	0	84,335
Prepaid Items	6,672	0	0	0	6,672
Total Assets	\$ 741,031	\$ 403,154	\$ 170,845	\$ 130,686	\$ 1,445,716
<u>Liabilities</u>					
Accounts Payable	\$ 19,472	\$ 1,288	\$ 1,288	\$ 10,163	\$ 32,211
Due to Component Unit	861	0	0	0	861
Due to Other Units of Government	0	0	750	0	750
Accrued Liabilities	21,309	620	851	650	23,430
Unearned Revenue	65,418	0	0	0	65,418
Total Liabilities	107,060	1,908	2,889	10,813	122,670
<u>Deferred Inflows of Resources</u>					
Unavailable Revenue - Grants	7,179	0	0	0	7,179
<u>Fund Equity</u>					
Fund Balances:					
Nonspendable:					
Prepaid Items	6,672	0	0	0	6,672
Cemetery Perpetual Trusts	0	0	0	118,037	118,037
Restricted For:					
Law Enforcement Programs	0	0	0	1,836	1,836
Major Streets	0	401,246	0	0	401,246
Local Streets	0	0	167,956	0	167,956
Assigned To:					
Next Year's Budgeted Expenditures	20,188	0	0	0	20,188
Unassigned	599,932	0	0	0	599,932
Total Fund Equity	626,792	401,246	167,956	119,873	1,315,867
Total Liabilities and Fund Equity	\$ 741,031	\$ 403,154	\$ 170,845	\$ 130,686	\$ 1,445,716

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
February 28, 2022

Total Governmental Fund Balances	\$	1,315,867
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Capital assets at year end consist of:		
Capital Asset Cost	\$ 3,619,551	
Accumulated Depreciation	<u>(1,479,240)</u>	2,140,311
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds:		
Grants Receivable		7,179
Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:		
Differences in Investment Returns	(29,223)	
Changes in Assumptions	10,747	
Differences Between Expected and Actual Experience	2,728	
Subsequent Employer Pension Contributions	<u>7,131</u>	(8,617)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:		
Net Pension Liability	(261,157)	
Compensated Absences Payable	<u>(6,980)</u>	(268,137)
Total Long-Term Liabilities		<u>(268,137)</u>
Total Net Position - Governmental Activities	\$	<u><u>3,186,603</u></u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
For the Year Ended February 28, 2022

	Special Revenue Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Major Street Fund	Local Street Fund		
<u>Revenue</u>					
Property Taxes	\$ 267,436	\$ 0	\$ 92,045	\$ 0	\$ 359,481
State Grants and Revenue	156,791	108,186	43,237	0	308,214
Contributions from Local Units	2,000	0	0	0	2,000
Charges for Services	68,221	0	0	37,113	105,334
Fines and Forfeits	120	0	0	0	120
Interest and Rentals	65,224	0	0	125	65,349
Other Revenue	27,854	0	0	0	27,854
Total Revenue	<u>587,646</u>	<u>108,186</u>	<u>135,282</u>	<u>37,238</u>	<u>868,352</u>
<u>Expenditures</u>					
Current:					
General Government:					
Legislative	41,987	0	0	0	41,987
Financial and Tax Administration	13,429	0	0	0	13,429
Other General Government	35,470	0	0	0	35,470
Public Safety	249,723	0	0	0	249,723
Public Works	50,991	20,323	28,743	50,081	150,138
Community and Economic Development	12,047	0	0	0	12,047
Recreation and Cultural	142,897	0	0	0	142,897
Capital Outlay	54,707	0	0	0	54,707
Total Expenditures	<u>601,251</u>	<u>20,323</u>	<u>28,743</u>	<u>50,081</u>	<u>700,398</u>
Excess of Revenue Over (Under) Expenditures	<u>(13,605)</u>	<u>87,863</u>	<u>106,539</u>	<u>(12,843)</u>	<u>167,954</u>
<u>Other Financing Sources (Uses)</u>					
Sale of Capital Assets	8,573	0	0	1,944	10,517
Operating Transfers In	0	0	0	14,107	14,107
Operating Transfers Out	(14,107)	0	0	0	(14,107)
Total Other Financing Sources (Uses)	<u>(5,534)</u>	<u>0</u>	<u>0</u>	<u>16,051</u>	<u>10,517</u>
Net Change in Fund Balances	(19,139)	87,863	106,539	3,208	178,471
Fund Balances - Beginning of Year	<u>645,931</u>	<u>313,383</u>	<u>61,417</u>	<u>116,665</u>	<u>1,137,396</u>
Fund Balances - End of Year	<u>\$ 626,792</u>	<u>\$ 401,246</u>	<u>\$ 167,956</u>	<u>\$ 119,873</u>	<u>\$ 1,315,867</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended February 28, 2022

Total Net Change in Fund Balances - Governmental Funds	\$	178,471
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Receivables not currently available are reported as revenue when collected or when currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements:</p>		
Grants Receivable		7,179
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital Outlay	\$ 48,965	
Depreciation Expense	(96,911)	
Gain (Loss) on Disposal of Capital Assets	(643)	(48,589)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>		
Net Change in Accrued Compensated Absences		1,860
<p>Governmental funds report Village pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense. The following amounts represent the current year net changes:</p>		
Pension Expense	(40,296)	
Actual Pension Contributions from Beginning of the Fiscal Year through the Measurement Date	36,360	
Deferred Outflow for Pension Contributions Subsequent to Measurement Date	7,131	3,195
Change in Net Position of Governmental Activities	\$	142,116

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
February 28, 2022

	Enterprise Funds			
	Major Funds		Nonmajor Fund	Total
	Sewer Fund	Water Fund	Building Department Fund	
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 18,011	\$ 18,011
Receivables:				
Accounts, Net	156,557	106,788	0	263,345
Total Current Assets	<u>156,557</u>	<u>106,788</u>	<u>18,011</u>	<u>281,356</u>
Noncurrent Assets:				
Capital Assets Not Being Depreciated	83,021	0	0	83,021
Capital Assets, Net of Accumulated Depreciation	1,727,182	634,997	0	2,362,179
Total Noncurrent Assets	<u>1,810,203</u>	<u>634,997</u>	<u>0</u>	<u>2,445,200</u>
Total Assets	<u>1,966,760</u>	<u>741,785</u>	<u>18,011</u>	<u>2,726,556</u>
Deferred Outflows of Resources				
Deferred Amounts Related to Pensions	3,471	3,620	0	7,091
Liabilities				
Current Liabilities:				
Accounts Payable	9,696	3,808	810	14,314
Due to Other Funds	65,010	19,325	0	84,335
Accrued Interest Payable	3,487	3,142	0	6,629
Deposits Payable	0	1,730	0	1,730
Accrued Liabilities	1,225	1,203	0	2,428
Current Portion of Long-Term Liabilities	170,000	50,000	0	220,000
Total Current Liabilities	<u>249,418</u>	<u>79,208</u>	<u>810</u>	<u>329,436</u>
Long-Term Liabilities:				
Due in More Than One Year	168,445	270,000	0	438,445
Net Pension Liability	22,084	24,405	0	46,489
Total Long-Term Liabilities	<u>190,529</u>	<u>294,405</u>	<u>0</u>	<u>484,934</u>
Total Liabilities	<u>630,476</u>	<u>668,018</u>	<u>810</u>	<u>1,299,304</u>
Deferred Inflows of Resources				
Deferred Amounts Related to Pensions	18,774	15,090	0	33,864
Net Position				
Net Investment in Capital Assets	1,471,758	314,997	0	1,786,755
Unrestricted	39,752	41,705	17,201	98,658
Total Net Position	<u>\$ 1,511,510</u>	<u>\$ 356,702</u>	<u>\$ 17,201</u>	<u>\$ 1,885,413</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
For the Year Ended February 28, 2022

	Enterprise Funds			
	Major Funds		Nonmajor Fund	Total
	Sewer Fund	Water Fund	Building Department Fund	
<u>Operating Revenue</u>				
Charges For Services	\$ 396,131	\$ 260,701	\$ 0	\$ 656,832
Service Connection Charges	3,068	7,568	0	10,636
Permits	0	0	17,841	17,841
Penalties	3,400	6,904	0	10,304
Other Revenue	0	1,508	0	1,508
Total Operating Revenue	<u>402,599</u>	<u>276,681</u>	<u>17,841</u>	<u>697,121</u>
<u>Operating Expenses</u>				
Salaries and Wages	56,777	56,845	0	113,622
Payroll Taxes and Employee Benefits	20,850	13,262	0	34,112
Contractual Services	97,861	108,932	18,405	225,198
Depreciation and Amortization	212,267	73,978	0	286,245
Equipment Rental	15,284	12,136	0	27,420
Insurance and Bonds	4,000	3,500	0	7,500
Operating Supplies	17,310	19,286	0	36,596
Telephone	2,906	2,873	0	5,779
Travel and Training	588	2,173	0	2,761
Utilities	77,879	0	0	77,879
Total Operating Expenses	<u>505,722</u>	<u>292,985</u>	<u>18,405</u>	<u>817,112</u>
Operating Income (Loss)	<u>(103,123)</u>	<u>(16,304)</u>	<u>(564)</u>	<u>(119,991)</u>
<u>Nonoperating Revenue (Expenses)</u>				
Interest and Fees Expense	(9,780)	(7,330)	0	(17,110)
Gain (Loss) on Disposal of Capital Assets	1,800	2,723	0	4,523
Total Nonoperating Revenue (Expenses)	<u>(7,980)</u>	<u>(4,607)</u>	<u>0</u>	<u>(12,587)</u>
Change in Net Position	<u>(111,103)</u>	<u>(20,911)</u>	<u>(564)</u>	<u>(132,578)</u>
Net Position - Beginning of Year	<u>1,622,613</u>	<u>377,613</u>	<u>17,765</u>	<u>2,017,991</u>
Net Position - End of Year	<u>\$ 1,511,510</u>	<u>\$ 356,702</u>	<u>\$ 17,201</u>	<u>\$ 1,885,413</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
For the Year Ended February 28, 2022

	Enterprise Funds			
	Major Funds		Nonmajor Fund	Total
	Sewer Fund	Water Fund	Building Department Fund	
<u>Cash Flows From Operating Activities</u>				
Receipts From Customers	\$ 418,367	\$ 276,964	\$ 17,841	\$ 713,172
Payments to Suppliers for Goods and Services	(218,587)	(152,918)	(23,093)	(394,598)
Payments to Employees for Services	(79,705)	(72,388)	0	(152,093)
Net Cash Provided (Used) by Operating Activities	<u>120,075</u>	<u>51,658</u>	<u>(5,252)</u>	<u>166,481</u>
<u>Cash Flows From Capital and Related Financing Activities</u>				
Proceeds from Sale of Capital Assets	1,800	2,723	0	4,523
Acquisition and Construction of Capital Assets	(51,143)	0	0	(51,143)
Principal Paid on Long-Term Debt	(165,000)	(30,000)	0	(195,000)
Interest and Fees Paid on Long-Term Debt	(6,293)	(4,188)	0	(10,481)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(220,636)</u>	<u>(31,465)</u>	<u>0</u>	<u>(252,101)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(100,561)	20,193	(5,252)	(85,620)
Cash and Cash Equivalents at Beginning of Year	<u>100,561</u>	<u>(20,193)</u>	<u>23,263</u>	<u>103,631</u>
Cash and Cash Equivalents at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,011</u>	<u>\$ 18,011</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>				
Operating Income (Loss)	\$ (103,123)	\$ (16,304)	\$ (564)	\$ (119,991)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	212,267	73,978	0	286,245
Change in Assets and Liabilities:				
Accounts Receivable, Net	15,768	283	0	16,051
Accounts Payable and Accrued Liabilities	(3,823)	(5,384)	(4,688)	(13,895)
Net Pension Liability and Related Deferred Outflows and Inflows of Resources	(1,014)	(915)	0	(1,929)
Net Cash Provided (Used) by Operating Activities	<u>\$ 120,075</u>	<u>\$ 51,658</u>	<u>\$ (5,252)</u>	<u>\$ 166,481</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Stockbridge (Village) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governments. The following is a summary of the significant accounting policies:

A. Description of Village Operations and Fund Types

The Village of Stockbridge was founded in 1835 and incorporated in 1889. The Village is incorporated as a General Law Village and operates under a Council / President form of government. The Village provides various services to its residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services. All activities over which the Village exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the Village are not misleading. The primary government of the Village consists of all funds, departments, boards, and agencies that are not legally separate from the Village.

Component units are legally separate organizations for which the Village is financially accountable. The primary government is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to impose its will on that organization or (2) there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government.

In addition, the Village is also financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

1. Discretely Presented Component Unit

The component unit column on the combined financial statements includes the financial data of the Village's component unit. This is reported in a separate column to emphasize that it is legally separate from the Village.

a. Governmental Activity and Fund Type Component Unit:

Downtown Development Authority - The governing body of the Downtown Development Authority is appointed by the Village Council. The annual budget of the Authority is approved by the Village Council. The Authority cannot levy taxes or issue debt without the approval of the Village Council. The Authority was created to correct and prevent the deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The financial statements of the Authority are presented as part of Supplementary Information and are not audited separately.

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position presents the financial condition of the governmental and business-type activities of the Village at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Village's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Village, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Village.

Fund Financial Statements

D. Fund Accounting

The Village uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Village functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions of the Village are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Village's major governmental funds:

General Fund - This fund accounts for all financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from property taxes and state revenue.

Major Street Fund - This fund is used to account for the maintenance and construction of the Village's major street system, including the receipt and expenditure of State motor fuel taxes which are earmarked by law (Act 51 PA 1951, as amended) for major street and highway purposes.

Local Street Fund - This fund is used to account for the maintenance and construction of the Village's local street system, including the receipt and expenditure of State motor fuel taxes which are earmarked by law (Act 51 PA 1951, as amended) for local street and highway purposes.

The other governmental funds of the Village accounts for charges for services and interest and other resources whose use is restricted for a particular purpose.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Continued)

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

The Village's enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the Village's major enterprise funds:

Sewer Fund - This fund is used to record transactions relative to the operation of the Village sewer system.

Water Fund - This fund is used to record transactions relative to the operation of the Village water system.

E. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus.

All assets and all liabilities associated with the operation of the Village are included on the statement of net position.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financial uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in revenue, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows reflects how the Village finances and meets the cash flow needs of its enterprise activities.

F. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide and proprietary funds financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unavailable revenue as deferred inflows of resources, and in the presentation of expenses versus expenditures.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Basis of Accounting (Continued)

Revenues – Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Village, available means expected to be received within 60 days of the fiscal year-end.

Nonexchange transactions, in which the Village receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the period in which the sales are made. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Village must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Village on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: charges for services, fines and forfeitures, state-levied locally shared taxes (including sales tax), interest, grants and rent.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Cash and Cash Equivalents

For presentation on the financial statements, investments in the cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Village are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported at fair value, except for repurchase agreements and certificates of deposit which are reported at cost which approximates fair value. Fair value is based on quoted market prices. Mutual funds are reported at current share price.

H. Receivables

Receivables generally consist of accounts (fees), taxes, and charges for sewer and water services due from various customers. All receivables are net of estimated uncollectible accounts. Receivables are recognized to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectability.

The balances consist primarily of water and sewer charges receivable and delinquent property taxes receivable.

The allowance for doubtful accounts at February 28, 2022 was \$0 for the primary government and the component unit.

I. Interfund Receivables and Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "due from/to other funds". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are reflected as "Internal Balances".

J. Prepaid Items

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

K. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets used by the enterprise funds are reported in both the business-type activities column of the government-wide statement of net position and in the respective funds.

Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

The Village's infrastructure consists of water and sewer lines. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of enterprise fund capital assets is also capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Descriptions</u>	<u>Estimated Lives</u>
Land Improvements	10 - 30 years
Machinery and Equipment	5 - 20 years
Infrastructure - Roads	15 - 50 years
Distribution Systems	10 - 50 years

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the enterprise fund are reported on the enterprise fund statement. In general, payables and accrued liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements at the time they are incurred, to the extent that they will be paid from current, expendable, financial resources. However, bonds and other long-term obligations, compensated absences, claims and judgments, contractually required pension contributions and special termination benefits that are paid from governmental funds are recognized as liabilities in the fund financial statements only to the extent that they are due for payment during the current year.

M. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The Village reports three categories of net position as follows:

Net investment in capital assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position - net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the Village's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position - consists of all other net position that does not meet the definition of the above two components and is available for general use by the Village.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies restricted net position first, unless a determination is made to use unrestricted net position. The Village's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Balances

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—pre-paid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Village Council—the Village's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Village Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the Village's "intent" to be used for specific purposes, but are neither restricted nor committed. The Village Council or personnel authorized by the Board have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed. If any portion of existing fund balance will be used to eliminate a projected deficit in the budget for the subsequent year, this amount will also be categorized as Assigned fund balance.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the Village will use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Village, these revenues are charges for services for water and sewer usage. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

P. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. During the fiscal year ended February 28, 2022, there were no extraordinary items or special items.

R. Budgets and Budgetary Accounting

The Village of Stockbridge normally follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to March 1, the Township Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. This operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the governmental center to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted through passage of an ordinance.
4. All budget appropriations lapse at year-end. Budgetary amounts reported herein are as originally adopted, and as amended by the Village Council throughout the operating year.

The Village adopts budgets for the General Fund and Special Revenue Fund.

The budgets of the Village are prepared on the same basis of accounting as the financial statement presentation. The budgets were adopted at the activity level.

The legal level of control is at the activity level for the General Fund and Special Revenue Fund. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the Township Board. The financial statements include budgetary amounts as amended.

S. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

T. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2022

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

For 2022, the Village has implemented Governmental Accounting Standards Board (GASB) Statement Number 87, "Leases". The objective of this Statement is to increase the usefulness of the governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the governments' leasing activities.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

	Governmental Activities	Business- Type Activities	Total Primary Government	Component Unit
Cash and Cash Equivalents	\$ <u>1,241,608</u>	\$ <u>18,011</u>	\$ <u>1,259,619</u>	\$ <u>503,232</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Component Unit
Bank Deposits (Checking and Savings Accounts)	\$ 1,259,248	\$ 503,232
Petty Cash and Cash on Hand	<u>371</u>	<u>0</u>
Total	\$ <u>1,259,619</u>	\$ <u>503,232</u>

Interest Rate Risk

In accordance with its investment policy, the Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Village's known cash requirements.

Custodial Credit Risk - Deposits - Primary Government

In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of February 28, 2022, \$681,530 of the Village's bank balance of \$1,431,530 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Deposits - Component Unit

In the case of deposits, this is the risk that in the event of a bank failure, the component unit's deposits may not be returned to it. As of February 28, 2022, \$136,972 of the Downtown Development Authority's bank balance of \$386,972 was exposed to custodial credit risk because it was uninsured and uncollateralized.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2022

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The Village will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign Currency Risk

The Village's investment policy does not address foreign currency risk.

Investments

The Village Board has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Village to deposit and invest in the following:

- Accounts of federally insured banks, credit unions and savings and loan associations
- Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- United States government or federal agency obligation repurchase agreements
- Banker's acceptances of United States banks
- Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase
- Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Village's deposits and investments are in accordance with statutory authority.

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables as of February 28, 2022 were as follows:

Due to	Due from			Total
	General Fund	Sewer Fund	Water Fund	
General Fund	\$ 0	\$ 65,010	\$ 19,325	\$ 84,335
Downtown Development Authority - Component Unit	861	0	0	861
	<u>\$ 861</u>	<u>\$ 65,010</u>	<u>\$ 19,325</u>	<u>\$ 85,196</u>

All balances owed are the result of the time lag between the dates that interfund goods and services are provided, transactions are recorded in the accounting system, and payments between funds are made.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2022

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the primary government for the fiscal year ended February 28, 2022, was as follows:

	Balance 03/01/21	Additions	Deletions	Balance 02/28/22
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 274,778	\$ 0	\$ 0	\$ 274,778
Construction in Progress	164,192	0	(164,192)	0
Subtotal	<u>438,970</u>	<u>0</u>	<u>(164,192)</u>	<u>274,778</u>
Capital Assets Being Depreciated:				
Land Improvements	965,971	0	0	965,971
Machinery and Equipment	399,726	38,300	(18,992)	419,034
Infrastructure - Roads	1,784,911	174,857	0	1,959,768
Subtotal	<u>3,150,608</u>	<u>213,157</u>	<u>(18,992)</u>	<u>3,344,773</u>
Less Accumulated Depreciation for:				
Land Improvements	(29,435)	(38,639)	0	(68,074)
Machinery and Equipment	(323,607)	(10,574)	18,349	(315,832)
Infrastructure - Roads	(1,047,636)	(47,698)	0	(1,095,334)
Subtotal	<u>(1,400,678)</u>	<u>(96,911)</u>	<u>18,349</u>	<u>(1,479,240)</u>
Capital Assets Being Depreciated	<u>1,749,930</u>	<u>116,246</u>	<u>(643)</u>	<u>1,865,533</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	<u>\$ 2,188,900</u>	<u>\$ 116,246</u>	<u>\$ (164,835)</u>	<u>\$ 2,140,311</u>
	Balance 03/01/21	Additions	Deletions	Balance 02/28/22
<u>Business-Type Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 83,021	\$ 0	\$ 0	\$ 83,021
Capital Assets Being Depreciated:				
Machinery and Equipment	97,265	6,240	0	103,505
Water System	1,847,530	0	0	1,847,530
Sewer System	6,192,210	44,903	0	6,237,113
Subtotal	<u>8,137,005</u>	<u>51,143</u>	<u>0</u>	<u>8,188,148</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(50,835)	(9,007)	0	(59,842)
Water System	(1,161,307)	(71,142)	0	(1,232,449)
Sewer System	(4,327,582)	(206,096)	0	(4,533,678)
Subtotal	<u>(5,539,724)</u>	<u>(286,245)</u>	<u>0</u>	<u>(5,825,969)</u>
Capital Assets Being Depreciated	<u>2,597,281</u>	<u>(235,102)</u>	<u>0</u>	<u>2,362,179</u>
Business-Type Activities Total				
Capital Assets - Net of Depreciation	<u>\$ 2,680,302</u>	<u>\$ (235,102)</u>	<u>\$ 0</u>	<u>\$ 2,445,200</u>

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2022

NOTE 5 - CAPITAL ASSETS (CONTINUED)

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

Governmental Activities

Public Safety:		
Police	\$	3,542
Public Works:		
Other Public Works		52,200
Recreation and Cultural		<u>41,169</u>

Total Governmental Activities	\$	<u>96,911</u>
-------------------------------	----	---------------

Business-Type Activities

Sewer	\$	212,267
Water		<u>73,978</u>

Total Business-Type Activities	\$	<u>286,245</u>
--------------------------------	----	----------------

Capital asset activity of the Downtown Development Authority for the current year is as follows:

	Balance 03/01/21	Additions	Deletions	Balance 02/28/22
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ <u>54,752</u>	\$ 0	\$ 0	\$ <u>54,752</u>
Capital Assets Being Depreciated:				
Land Improvements	508,137	0	0	508,137
Equipment	<u>13,147</u>	<u>24,129</u>	0	<u>37,276</u>
Subtotal	<u>521,284</u>	<u>24,129</u>	0	<u>545,413</u>
Less Accumulated Depreciation for:				
Land Improvements	(191,572)	(21,126)	0	(212,698)
Equipment	<u>(13,147)</u>	<u>(1,431)</u>	0	<u>(14,578)</u>
Subtotal	<u>(204,719)</u>	<u>(22,557)</u>	0	<u>(227,276)</u>
Capital Assets Being Depreciated	<u>316,565</u>	<u>1,572</u>	0	<u>318,137</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	\$ <u>371,317</u>	\$ <u>1,572</u>	\$ <u>0</u>	\$ <u>372,889</u>

Depreciation expense was charged to programs of the Downtown Development Authority as follows:

Governmental Activities

Community and Economic Development	\$	<u>22,557</u>
------------------------------------	----	---------------

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2022

NOTE 6 - LONG-TERM LIABILITIES

Primary Government:

A. Bonds Payable

	<u>Governmental</u>	<u>Business-Type</u>
2008 Water Supply and Distribution System Revenue Bond	\$ 0	\$ 220,000
2003 Sanitary Sewage System Revenue Bond	0	338,445
2006 Water Supply and Distribution System Revenue Bonds	<u>0</u>	<u>100,000</u>
Total Bonds Payable	<u><u>0</u></u>	<u><u>658,445</u></u>

B. Detailed Long-Term Debt Disclosures

Direct Borrowing

2008 Water Supply and Distribution System Revenue Bond

\$530,000 Water Supply and Distribution System Revenue Bonds, a General Obligation Limited Tax Bond, dated September 29, 2008, for the purpose of financing the construction of additions, extensions, and improvements to the existing system of the Village. The bond bears interest at 2.5%, which is due semiannually, while principal is due in annual installments through October 1, 2028. The Village has irrevocably pledged the revenues of the Water Supply and Distribution System of the Village, after provision has been made for reasonable and necessary expenses of operation, maintenance, and administration of the System. In the event this is insufficient, the Village shall advance sufficient monies to make such payment from its general funds. In the event of a default, the amount of such default shall bear interest at a rate equal to the rate of interest which is 2% above the financier's cost of providing funds, as determined by the financier.

2003 Sanitary Sewage System Revenue Bond

\$2,770,000 Sanitary Sewage Collection and Treatment System Revenue Bond, a General Obligation Limited Tax Bond, dated September 25, 2003, for the purpose of financing the construction of such a system for the Village. The bond bears interest at 2.5%, which is due semiannually, while principal is due in annual installments through October 1, 2023. The Village has irrevocably pledged the revenues of the Sanitary Sewage Collection and Treatment System of the Village, after provision has been made for reasonable and necessary expenses of operation, maintenance, and administration of the System. As additional security, the Village has pledged its limited tax full faith and credit for payment of the principal of and interest on the bond. In the event of a default, the amount of such default shall bear interest at a rate equal to the rate of interest which is 2% above the financier's cost of providing funds, as determined by the financier.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2022

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

B. Detailed Long-Term Debt Disclosures (Continued)

2006 Water Supply and Distribution System Revenue Bonds

\$345,000 Water Supply and Distribution System Revenue Bonds, a General Obligation Limited Tax Bond, dated March 30, 2006, for the purpose of financing the construction of additions, extensions, and improvements to the existing system of the Village. The bond bears interest at 2.125%, which is due semiannually, while principal is due in annual installments through April 1, 2026. The Village has irrevocably pledged the revenues of the Water Supply and Distribution System of the Village, after provision has been made for reasonable and necessary expenses of operation, maintenance, and administration of the System. In the event of a default, the amount of such default shall bear interest at a rate equal to the rate of interest which is 2% above the financier's cost of providing funds, as determined by the financier.

C. Compensated Absences Payable

The Village has an accrued liability for accumulated vested vacation benefits of its employees. As of February 28, 2022, the accumulated vested vacation benefits of the employees of various Village departments were as follows:

<u>Accrued Employee Benefits Payable</u>	<u>Current Liability 02/28/22</u>	<u>Long-Term Liability 02/28/22</u>	<u>Total Balance 02/28/22</u>
<u>Primary Government</u>			
Governmental Activities	\$ <u>0</u>	\$ <u>6,980</u>	\$ <u>6,980</u>

D. Changes in Long-Term Liabilities

The following is a summary of long-term debt transactions of the Village for the year ended February 28, 2022:

<u>Governmental Activities</u>	<u>Balance 03/01/21</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance 02/28/22</u>	<u>Due Within One Year</u>
<u>Primary Government:</u>					
Compensated Absences	\$ <u>8,840</u>	\$ <u>0</u>	\$ <u>(1,860)*</u>	\$ <u>6,980</u>	\$ <u>0</u>
<u>Business-Type Activities</u>					
<u>Primary Government:</u>					
<u>Direct Borrowing:</u>					
Bonds Payable	\$ <u>853,445</u>	\$ <u>0</u>	\$ <u>(195,000)</u>	\$ <u>658,445</u>	\$ <u>220,000</u>

*Represents net of additions and retirements for the year.

The interest expense on long-term obligations for the year was \$17,110 for the Primary Government.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2022

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

The annual aggregate maturities for all debt outstanding (excluding compensated absences) as of February 28, 2022 are as follows:

Primary Government

Bonds Payable	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2023	\$ 0	\$ 0	\$ 220,000	\$ 15,874	235,874
2024	0	0	218,445	10,449	228,894
2025	0	0	50,000	5,063	55,063
2026	0	0	50,000	3,888	53,888
2027	0	0	50,000	2,713	52,713
2028 - 2029	0	0	70,000	2,625	72,625
Total	\$ 0	\$ 0	\$ 658,445	\$ 40,612	\$ 699,057

NOTE 7 - PROPERTY TAXES

Primary Government

Property taxes include amounts levied against all real property and tangible personal property located in the Village. Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 14 with the final collection date of September 30 before they are added to the County tax rolls. For the current year, the taxable value for properties located within the Village was \$31,055,035. The tax rates were 11.5000 mills for operating and 4.0000 for local streets..

NOTE 8 - OPERATING TRANSFERS

During the year ended February 28, 2022, the following transfers were made:

Transfer To	Transfer From General Fund
Cemetery Fund	\$ 14,107

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 9 - EXCESS OF EXPENDITURES OVER APPROPRIATION 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 amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted at the activity level.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2022

NOTE 9 - EXCESS OF EXPENDITURES OVER APPROPRIATION IN BUDGETARY FUNDS (CONTINUED)

During the year ended February 28, 2022, the Village incurred expenditures which were in excess of the amounts appropriated as follows:

<u>Fund/Activity</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund/Legislative	\$ 22,700	\$ 41,987	\$ 19,287
General Fund/Public Safety	\$ 245,936	\$ 249,723	\$ 3,787
General Fund/Public Works	\$ 50,000	\$ 50,991	\$ 991
General Fund/Recreation and Cultural	\$ 85,768	\$ 142,897	\$ 57,129
General Fund/Capital Outlay	\$ 54,398	\$ 54,707	\$ 309
General Fund/Operating Transfers Out	\$ 0	\$ 14,107	\$ 14,107

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED

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.

Benefits Provided

01 - General: Open Division

	<u>2021 Valuation</u>
Benefit Multiplier:	2.25% Multiplier (60% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25
Final Average Compensation:	5 years
Employee Contributions:	4.70%
Act 88:	No

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2022

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

Employees Covered by Benefit Terms

At the December 31, 2021 valuation date, the following employees were covered by the benefit terms:

Active Employees	6
Vested Former Employees	4
Retirees and Beneficiaries	4
Pending Refunds	5
	<u>19</u>

Contributions

The employer 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 employer may establish contribution rates to be paid by its covered employees.

Employer contributions were 23.59% of annual payroll for the open division.

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.

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: 3.0% in the long-term, plus a percentage based on an service-related scale to reflect merit, longevity, and promotional pay increases

Investment rate of return: 7.00%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.0% long-term wage inflation assumption would be consistent with a price inflation of 3-4%.

Mortality rates used were based on a version of Pub-2010 fully generational MP-2019.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study of 2014-2018.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2022

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Target Allocation Gross Rate of Return</u>	<u>Long-Term Expected Gross Rate of Return</u>	<u>Inflation Assumption</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	60.0%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.0%	4.50%	0.90%	2.50%	0.40%
Private Investments	20.0%	9.50%	1.90%	2.50%	1.40%
Total	100.0%		7.00%		4.50%

Discount Rate

The discount rate used to measure the total pension liability is 7.25%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. 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.

Changes in Net Pension Liability

<u>Calculating the Net Pension Liability</u>			
	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balances at 12/31/20	\$ 1,227,807	\$ 851,432	\$ 376,375
Changes for the Year			
Service Cost	23,778	0	23,778
Interest on Total Pension Liability	92,407	0	92,407
Changes in benefits	0	0	0
Difference between expected and actual experience	254	0	254
Changes in assumptions	27,066	0	27,066
Employer contributions	0	67,013	(67,013)
Employee contributions	0	13,823	(13,823)
Net investment income	0	121,844	(121,844)
Benefit payments, including employee refunds	(47,624)	(47,624)	0
Administrative expense	0	(1,398)	1,398
Other changes	(11,701)	(749)	(10,952)
Net changes	84,180	152,909	(68,729)
Balances as of 12/31/21	\$ 1,311,987	\$ 1,004,341	\$ 307,646

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2022

NOTE 10 - RETIREMENT SYSTEM - MERS OPERATED (CONTINUED)

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% higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Village's Net Pension Liability	\$ 468,424	\$ 307,646	\$ 173,598

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended February 28, 2022, the employer recognized pension expense of \$64,618. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in Investment Returns	\$ 0	\$ 51,313
Differences in Experience	2,728	11,774
Differences in Assumptions	13,533	0
Contributions Subsequent to the Measurement Date*	11,436	0
Total	\$ 27,697	\$ 63,087

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending February, 2023.

Amounts reported as deferred outflows and inflows of resources related to differences in investment returns, differences in experience, and differences in assumptions will be recognized in pension expense as follows:

Year Ended	Pension Expense
2023	\$ 14,112
2024	(19,158)
2025	(19,158)
2026	(11,186)

NOTE 11 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Village has purchased commercial insurance for medical benefits claims, general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended February 28, 2022

NOTE 11 - RISK MANAGEMENT (CONTINUED)

The Village currently has threatened litigation. Although the outcome of this potential lawsuit is not presently determinable, the Village is utilizing their MML carrier in managing and assisting them with the related claims.

DRAFT

DRAFT

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS
For the Year Ended February 28, 2022

	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability							
Service cost	\$ 23,778	\$ 16,543	\$ 15,824	\$ 30,662	\$ 30,539	\$ 29,488	\$ 28,388
Interest	92,407	83,739	90,994	89,206	83,369	76,162	68,604
Difference between expected and actual experience	254	26,104	(65,143)	(45,866)	38,995	18,461	17,459
Changes of assumptions	27,066	41,810	0	0	0	0	39,782
Benefit payments, including employee refunds	(47,624)	(66,826)	(51,929)	(39,726)	(33,525)	(35,564)	(33,090)
Other	(11,701)	(531)	(18,253)	1,587	(43,370)	0	0
Net Change in Total Pension Liability	84,180	100,839	(28,507)	35,863	76,008	88,547	121,143
Total Pension Liability - Beginning	<u>1,227,807</u>	<u>1,126,968</u>	<u>1,155,475</u>	<u>1,119,612</u>	<u>1,043,604</u>	<u>955,057</u>	<u>833,914</u>
Total Pension Liability - Ending	<u>\$ 1,311,987</u>	<u>\$ 1,227,807</u>	<u>\$ 1,126,968</u>	<u>\$ 1,155,475</u>	<u>\$ 1,119,612</u>	<u>\$ 1,043,604</u>	<u>\$ 955,057</u>
Plan Fiduciary Net Position							
Employer contributions	\$ 67,013	\$ 44,575	\$ 25,749	\$ 34,860	\$ 38,254	\$ 37,925	\$ 36,582
Employee contributions	13,823	9,493	7,360	9,807	12,262	12,468	11,783
Net investment income	121,844	97,728	93,787	(28,919)	83,865	63,285	(8,484)
Benefit payments, including employee refunds	(47,624)	(66,826)	(51,929)	(39,726)	(33,525)	(35,564)	(33,090)
Administrative expense	(1,398)	(1,543)	(1,867)	(1,667)	(1,324)	(1,247)	(1,203)
Other	(749)	(501)	0	0	0	0	0
Net Change in Plan Fiduciary Net Position	152,909	82,926	73,100	(25,645)	99,532	76,867	5,588
Plan Fiduciary Net Position - Beginning	<u>851,432</u>	<u>768,506</u>	<u>695,406</u>	<u>721,051</u>	<u>621,519</u>	<u>544,652</u>	<u>539,064</u>
Plan Fiduciary Net Position - Ending	<u>\$ 1,004,341</u>	<u>\$ 851,432</u>	<u>\$ 768,506</u>	<u>\$ 695,406</u>	<u>\$ 721,051</u>	<u>\$ 621,519</u>	<u>\$ 544,652</u>
Employer Net Pension Liability	<u>\$ 307,646</u>	<u>\$ 376,375</u>	<u>\$ 358,462</u>	<u>\$ 460,069</u>	<u>\$ 398,561</u>	<u>\$ 422,085</u>	<u>\$ 410,405</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77%	69%	68%	60%	64%	60%	57%
Covered Employee Payroll	\$ 190,790	\$ 150,002	\$ 140,310	\$ 262,935	\$ 263,047	\$ 263,047	\$ 253,918
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	161%	251%	255%	175%	152%	160%	162%

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
For the Year Ended February 28, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contributions	\$ 66,334	\$ 44,575	\$ 25,091	\$ 34,860	\$ 38,254	\$ 37,925	\$ 36,582
Contributions in relation to the actuarially determined contribution	<u>67,013</u>	<u>44,575</u>	<u>25,749</u>	<u>34,860</u>	<u>38,254</u>	<u>37,925</u>	<u>36,582</u>
Contribution deficiency (excess)	<u>\$ 679</u>	<u>\$ 0</u>	<u>\$ 658</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered employee payroll	\$ 190,790	\$ 150,002	\$ 140,310	\$ 262,935	\$ 263,047	\$ 263,047	\$ 253,918
Contributions as a percentage of covered employee payroll	5%	5%	4%	5%	5%	5%	5%

Notes to Schedule

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	17 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary increases	3.00%
Investment rate of return	7.00%
Retirement age	60; 50 with 25 years of service and out, reduced, or 55 with 15 years of service, reduced, for the open plan.
Mortality	Pub-2010 and fully generational MP-2019

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 GENERAL FUND
For the Year Ended February 28, 2022

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Property Taxes	\$ 295,700	\$ 295,700	\$ 267,436	\$ (28,264)
State Grants and Revenue	136,500	136,500	156,791	20,291
Contributions from Local Units	2,250	2,250	2,000	(250)
Charges for Services	101,500	101,500	68,221	(33,279)
Fines and Forfeits	200	200	120	(80)
Interest and Rentals	39,000	39,000	65,224	26,224
Other Revenue	19,500	19,500	27,854	8,354
Total Revenue	<u>594,650</u>	<u>594,650</u>	<u>587,646</u>	<u>(7,004)</u>
<u>Expenditures</u>				
Current:				
General Government:				
Legislative	22,700	22,700	41,987	(19,287)
Financial and Tax Administration	21,800	21,800	13,429	8,371
Other General Government	45,800	45,800	35,470	10,330
Public Safety	245,936	245,936	249,723	(3,787)
Public Works	50,000	50,000	50,991	(991)
Community and Economic Development	105,000	105,000	12,047	92,953
Recreation and Cultural	85,768	85,768	142,897	(57,129)
Capital Outlay	54,398	54,398	54,707	(309)
Total Expenditures	<u>631,402</u>	<u>631,402</u>	<u>601,251</u>	<u>30,151</u>
Excess of Revenue Over (Under) Expenditures	<u>(36,752)</u>	<u>(36,752)</u>	<u>(13,605)</u>	<u>23,147</u>
<u>Other Financing Sources (Uses)</u>				
Sale of Capital Assets	0	0	8,573	8,573
Operating Transfers Out	0	0	(14,107)	(14,107)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(5,534)</u>	<u>(5,534)</u>
Net Change in Fund Balances	(36,752)	(36,752)	(19,139)	17,613
Fund Balances - Beginning of Year	<u>645,931</u>	<u>645,931</u>	<u>645,931</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 609,179</u>	<u>\$ 609,179</u>	<u>\$ 626,792</u>	<u>\$ 17,613</u>

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 MAJOR STREET FUND - SPECIAL REVENUE FUND
For the Year Ended February 28, 2022

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
State Grants and Revenue	\$ 70,000	\$ 70,000	\$ 108,186	\$ 38,186
Interest and Rentals	<u>2,000</u>	<u>2,000</u>	<u>0</u>	<u>(2,000)</u>
Total Revenue	<u>72,000</u>	<u>72,000</u>	<u>108,186</u>	<u>36,186</u>
<u>Expenditures</u>				
Current:				
Public Works	49,850	49,850	20,323	29,527
Capital Outlay	<u>25,000</u>	<u>25,000</u>	<u>0</u>	<u>25,000</u>
Total Expenditures	<u>74,850</u>	<u>74,850</u>	<u>20,323</u>	<u>54,527</u>
Excess of Revenue Over (Under) Expenditures	(2,850)	(2,850)	87,863	90,713
Fund Balances - Beginning of Year	<u>313,383</u>	<u>313,383</u>	<u>313,383</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 310,533</u>	<u>\$ 310,533</u>	<u>\$ 401,246</u>	<u>\$ 90,713</u>

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 LOCAL STREET FUND - SPECIAL REVENUE FUND
For the Year Ended February 28, 2022

	Original Budget	Final Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Property Taxes	\$ 51,000	\$ 51,000	\$ 92,045	\$ 41,045
State Grants and Revenue	30,000	30,000	43,237	13,237
Interest and Rentals	2,000	2,000	0	(2,000)
Total Revenue	<u>83,000</u>	<u>83,000</u>	<u>135,282</u>	<u>52,282</u>
<u>Expenditures</u>				
Current:				
Public Works	64,550	64,550	28,743	35,807
Capital Outlay	40,000	40,000	0	40,000
Total Expenditures	<u>104,550</u>	<u>104,550</u>	<u>28,743</u>	<u>75,807</u>
Excess of Revenue Over (Under) Expenditures	(21,550)	(21,550)	106,539	128,089
Fund Balances - Beginning of Year	<u>61,417</u>	<u>61,417</u>	<u>61,417</u>	<u>0</u>
Fund Balances - End of Year	<u>\$ 39,867</u>	<u>\$ 39,867</u>	<u>\$ 167,956</u>	<u>\$ 128,089</u>

DRAFT

OTHER INFORMATION

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
February 28, 2022

	<u>Special Revenue Funds</u>				<u>Total Other Governmental Funds</u>
	<u>Cemetery Perpetual Flower Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Cemetery Fund</u>	<u>Drug Law Enforcement Fund</u>	
<u>Assets</u>					
Cash and Cash Equivalents	\$ 11,165	\$ 106,872	\$ 7,613	\$ 1,836	\$ 127,486
Receivables:					
Accounts, Net	<u>0</u>	<u>0</u>	<u>3,200</u>	<u>0</u>	<u>3,200</u>
Total Assets	<u>\$ 11,165</u>	<u>\$ 106,872</u>	<u>\$ 10,813</u>	<u>\$ 1,836</u>	<u>\$ 130,686</u>
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 0	\$ 10,163	\$ 0	\$ 10,163
Accrued Liabilities	<u>0</u>	<u>0</u>	<u>650</u>	<u>0</u>	<u>650</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>10,813</u>	<u>0</u>	<u>10,813</u>
<u>Fund Equity</u>					
Fund Balances:					
Nonspendable:					
Cemetery Perpetual Trusts	11,165	106,872	0	0	118,037
Restricted For:					
Law Enforcement Programs	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,836</u>	<u>1,836</u>
Total Fund Equity	<u>11,165</u>	<u>106,872</u>	<u>0</u>	<u>1,836</u>	<u>119,873</u>
Total Liabilities and Fund Equity	<u>\$ 11,165</u>	<u>\$ 106,872</u>	<u>\$ 10,813</u>	<u>\$ 1,836</u>	<u>\$ 130,686</u>

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
For the Year Ended February 28, 2022

	Special Revenue Funds				Total Other Governmental Funds
	Cemetery Perpetual Flower Fund	Cemetery Perpetual Care Fund	Cemetery Fund	Drug Law Enforcement Fund	
<u>Revenue</u>					
Charges for Services	\$ 0	\$ 3,663	\$ 33,450	\$ 0	\$ 37,113
Interest and Rentals	4	121	0	0	125
Total Revenue	<u>4</u>	<u>3,784</u>	<u>33,450</u>	<u>0</u>	<u>37,238</u>
<u>Expenditures</u>					
Current:					
Public Works	0	580	49,501	0	50,081
Excess of Revenue Over (Under) Expenditures	<u>4</u>	<u>3,204</u>	<u>(16,051)</u>	<u>0</u>	<u>(12,843)</u>
<u>Other Financing Sources (Uses)</u>					
Sale of Capital Assets	0	0	1,944	0	1,944
Operating Transfers In	0	0	14,107	0	14,107
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>16,051</u>	<u>0</u>	<u>16,051</u>
Net Changes in Fund Balances	4	3,204	0	0	3,208
Fund Balances - Beginning of Year	<u>11,161</u>	<u>103,668</u>	<u>0</u>	<u>1,836</u>	<u>116,665</u>
Fund Balances - End of Year	<u>\$ 11,165</u>	<u>\$ 106,872</u>	<u>\$ 0</u>	<u>\$ 1,836</u>	<u>\$ 119,873</u>

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

BALANCE SHEET
DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT
GOVERNMENTAL FUND
February 28, 2022

	<u>Downtown Development Authority</u>
<u>Assets</u>	
Cash and Cash Equivalents	\$ 503,232
Due from Primary Government	861
Due from Other Governmental Units	<u>32,007</u>
Total Assets	<u>\$ 536,100</u>
<u>Liabilities</u>	
Accounts Payable	<u>\$ 18,011</u>
<u>Fund Equity</u>	
Fund Balance:	
Restricted For:	
Economic Development	<u>518,089</u>
Total Liabilities and Fund Equity	<u>\$ 536,100</u>

DRAFT

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT -
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
February 28, 2022

Total Governmental Fund Balances \$ 518,089

Amounts reported for governmental activities in the statement of net position
are different because:

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported as assets in governmental funds. Capital assets at
year end consist of:

Capital Asset Cost	\$ 600,165	
Accumulated Depreciation	<u>(227,276)</u>	
		<u>372,889</u>

Total Net Position - Governmental Activities \$ 890,978

DRAFT

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCES -
DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT - GOVERNMENTAL FUND
For the Year Ended February 28, 2022

	<u>Downtown Development Authority</u>
<u>Revenue</u>	
Property Taxes	\$ 219,986
Interest and Rentals	219
Total Revenue	<u>220,205</u>
<u>Expenditures</u>	
Current:	
Community and Economic Development	48,806
Capital Outlay	28,028
Total Expenditures	<u>76,834</u>
Excess of Revenue Over (Under) Expenditures	143,371
Fund Balances - Beginning of Year	<u>374,718</u>
Fund Balances - End of Year	<u>\$ 518,089</u>

VILLAGE OF STOCKBRIDGE
Ingham County, Michigan

DOWNTOWN DEVELOPMENT AUTHORITY - COMPONENT UNIT - RECONCILIATION OF THE STATEMENT OF
REVENUE, EXPENDITURES AND CHANGES INFUND BALANCES OF THE GOVERNMENTAL
FUND TO THE STATEMENT OF ACTIVITIES
For the Year Ended February 28, 2022

Excess of Revenue Over (Under) Expenditures - Governmental Fund		\$	143,371
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Capital Outlay		\$	24,129
Depreciation Expense			<u>(22,557)</u>
			<u>1,572</u>
Change in Net Position of Governmental Activities		\$	<u><u>144,943</u></u>

DRAFT

December 16, 2022

Management and the Board
Village of Stockbridge
305 W. Elizabeth St.
Room 107
Stockbridge, MI 49285

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Stockbridge for the year ended February 28, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 6, 2022. Professional standards also require that we communicate to you the following information related to our audit. The appendices to this letter set forth those communications as follows:

I Communication with Those Charged with Governance

II Management Comments

We discussed these matters with various personnel of the Village during the audit and met with management on June 23, 2022. We would also be pleased to meet with you to discuss these matters at your convenience.

This information is intended solely for the information and use of management, the Village Board, others within the Village and the Michigan Department of Treasury and are not intended to be, and should not be, used by anyone other than those specified parties.

Very truly yours,

Stephenson & Company, P.C.

APPENDIX I COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Significant Audit Matters

Qualitative Aspects of Accounting Practices

- Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village of Stockbridge are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2022. We noted no transactions entered into by the Village of Stockbridge during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.
- Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Village of Stockbridge's financial statements was:

Management's estimate of the net pension liability is based on pension obligations and actuarial reports. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

Although management worked very hard while we were in the field for the audit, difficulties were encountered after we left the field in obtaining the necessary documentation needed to complete the audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has determined the effects of the unadjusted audit differences are immaterial, both individually and in the aggregate, to the financial statements as a whole, and material misstatements provided to management on December 16, 2022 were corrected by management.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 16, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Village of Stockbridge's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

**APPENDIX I
COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, the Budgetary Comparison Information, and the Required Pension Schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

APPENDIX II MANAGEMENT COMMENTS

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in internal control to be a material weakness:

FINANCIAL STATEMENT PREPARATION CONTROLS

In conjunction with our audit, we have been contracted to prepare the financial statements and related disclosures based on the information provided to us by Management. We would like to stress that this service is allowable under AICPA ethics guidelines and may be the most efficient and effective method for preparation the Village of Stockbridge's financial statements. However, if at any point in the audit we as auditors are part of the Village of Stockbridge's control system for producing reliable financial statements, auditing standards indicate that the Village of Stockbridge has a control deficiency. If Management is not able to prepare financial statements, including disclosures, and the auditors are contracted to prepare these statements, this is considered a control deficiency. The effect of this material weakness is that reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles (GAAP) and the Village would not be in a position to detect the errors or omissions. We recommend that Management and those charged with governance evaluate and document their decision on the costs and benefits of whether to contract for this service with our firm.

An example of where the Village relies on the auditor as a control for producing reliable financial statements is in the excessive adjustments needed to reclassify various accounts at year end, as well as record year end accruals. By these not being adjusted monthly, the financial records provided to the Council each month are not an accurate reflection of the Village's standings. Without adequate financial records, management is basing its decision on incomplete and/or inaccurate information during the year, and additional time is spent at year end in preparing and auditing the financial statements.

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. We consider the following deficiencies in Village of Stockbridge's internal control to be significant deficiencies:

PAYMENT OF OVERTIME AND CALL IN HOURS

During our testing, we found instances where DPW workers were being paid overtime when 40 hours were not exceeded in a work week. We also found that the two-hour minimum rule was used when a DPW employee went home after being exposed to COVID, vs only being paid for the hours on-site and utilizing sick pay for the remaining time. Both instances violate the current policies of the Village. We recommend that management review the payroll practices of the Village with the employee policies to ensure that all policies are followed and/or adjusted where needed.

APPENDIX II MANAGEMENT COMMENTS

PAYROLL TAXES AND LATE FLING PENALTIES

During our testing, we noted that payroll tax reporting and payments were not consistently being made on time, triggering significant penalties and interest to the Village, as well as the recapture of State Aid payments in lieu of the back payroll taxes. We recommend that management use a tracking system to identify relevant due dates for tax payments so that they can be paid on time. Such a file would consist of a section for all the normal due dates for the various payments or filings in chronological order. The file would be scanned periodically, such as each Monday morning, to identify upcoming due dates.

PURCHASING AND CREDIT CARD POLICIES

During our audit we found instances where the Village's credit card policy and/or purchasing policy were not being followed. The Village's current credit card policy requires all credit card purchases to be pre-approved by the Board, where the current practice of the Village is for the credit cards to be approved after the purchases are made, but before the payment is issued. The purchasing policy of the Village requires that all purchases over \$1,500 be pre-approved by the board as well, where multiple instances were found that exceeded that threshold, but did not have board prior approval. We recommend that management evaluate the current policies of the Village to ensure that they are written with the true intent of the Village Board, making modifications, where deemed appropriate. The Village then needs to ensure proper compliance of the policies with all future purchases.

During our audit, we also became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency.

TIMELINESS OF AUDIT COMPLETION

During the audit, significant delays and lapses of time were encountered throughout the process of requesting information from the Village and receiving the requested information, including having to reschedule the audit to a later date. Whether these delays were a result of management being short-handed, health issues, or just a result of the audit not being considered a priority to the Village, this caused the 2022 audit to be filed with the State significantly late.

We recommend that management and the Board move forward taking a more hands on approach with the audit, to help support the Village Clerk/Treasurer with her duties. The better management establishes and executes its own internal processes for planning, managing, and supporting the audit, the smoother the audit is likely to run. These processes may include:

- Clearly defining and communicating team roles
- Delegating responsibilities to all members involved in supporting the audit
- Having a schedule to support timely responses to auditor requests
- Holding internal planning meetings to prepare for the audit
- Holding meetings during and after the audit to seek feedback and improve the audit process in the future

EXPENSE DOCUMENTATION

During our testing, we noted that proper supporting documentation for credit card disbursements, employee reimbursements, and other expenses were not always available. By not matching each expense with a receipt, expenses could be overlooked, and personal employee expenses could easily slip through as a Village expense. We recommend that procedures be implemented to attach the original invoices directly to their corresponding credit card statement, employee reimbursement request form, and/or invoice, prior to the bill being paid.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

**APPENDIX II
MANAGEMENT COMMENTS**

STATUS OF PRIOR YEAR COMMENTS:

We have reviewed the status of comments and recommendations made in the prior year. The status of prior year comments is as follows:

<u>Comment</u>	<u>Implemented/ Situation Corrected</u>	<u>Management Decision To Not Implement</u>	<u>Progress Made</u>	<u>Situation Still Exists</u>
Financial Statement Preparation Controls				X
Incorrect Calculations of Water and Sewer Bill:	X			
Expense Documentation				X
Quarterly Budget to Actual Comparisons	X			
Payroll Tracking Controls			X	
Payroll Taxes and Late Filing Penalties				X
Old Outstanding Checks				X
Personnel Manual	X			