

Village of Brooklyn,
Michigan



For the 8-Month
Period Ended
June 30, 2023

Financial
Statements

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VILLAGE OF BROOKLYN, MICHIGAN

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INDEPENDENT AUDITORS' REPORT

February 29, 2024

The Members of the Village of
Brooklyn Council
Brooklyn, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **Village of Brooklyn, Michigan** (the "Village"), as of and for the 8-month period ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 units, each major fund, and the aggregate remaining fund information of the Village, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparisons for the general fund and each major special revenue fund for the 8-month period 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village'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.

Independent 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension and other postemployment benefit plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The combining and individual fund financial statements and schedules 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 were 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 and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2024, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF BROOKLYN, MICHIGAN

Management's Discussion and Analysis

As management of the *Village of Brooklyn, Michigan* (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the 8-month period ended June 30, 2023.

Financial Highlights

· Total net position	\$ 5,052,071
· Change in total net position	136,342
· Fund balances, governmental funds	1,120,353
· Change in fund balances, governmental funds	(625,456)
· Unassigned fund balance, general fund	530,295
· Change in fund balance, general fund	(307,528)
· Installment debt outstanding	1,903,384
· Change in installment debt	(142,000)

Overview of the Financial Statements

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

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

The *statement of net position* and the *statement of activities* provide information about the activities of the Village as a whole and present a longer-term view of the Village finances. The longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The governmental activities of the Village include general government, public safety, public works, and culture and recreation. The business-type activities of the Village include water and sewer operations.

The government-wide financial statements include not only the Village itself (known as the *primary government*), but also a legally separate entity for which the Village is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements. The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operation in more detail than the government-wide financial statements by providing information about the Village's most significant funds. All of the funds of the Village can be divided into two categories: governmental funds and proprietary funds.

VILLAGE OF BROOKLYN, MICHIGAN

Management's Discussion and Analysis

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

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

The Village maintains numerous individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general, major street special revenue, local street special revenue, and street improvement capital project funds, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of the *combining statements* elsewhere in this report.

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management's discussion and analysis and the schedules for the pension and other postemployment benefits plans immediately following the notes to the financial statements.

The combining statements referred to earlier in connection with nonmajor funds are presented immediately following the required supplementary information.

VILLAGE OF BROOKLYN, MICHIGAN

Management's Discussion and Analysis

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,052,071 at the close of the most recent fiscal year. The following table shows, in a condensed format, the net position as of the current date and compared to the last year audited (2021):

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2023	2021	2023	2021	2023	2021
Assets						
Current and other assets	\$ 1,934,302	\$ 2,723,452	\$ 596,381	\$ 549,836	\$ 2,530,683	\$ 3,273,288
Capital assets, net	2,305,885	1,392,347	3,183,249	2,854,727	5,489,134	4,247,074
Total assets	4,240,187	4,115,799	3,779,630	3,404,563	8,019,817	7,520,362
Deferred outflows of resources						
	154,497	82,780	34,093	18,781	188,590	101,561
Liabilities						
Long-term liabilities	1,465,219	1,765,619	438,165	543,165	1,903,384	2,308,784
Pension and OPEB	475,987	422,596	94,931	81,127	570,918	503,723
Other liabilities	151,941	124,401	76,086	46,496	228,027	170,897
Total liabilities	2,093,147	2,312,616	609,182	670,788	2,702,329	2,983,404
Deferred inflows of resources						
	446,166	30,663	7,841	6,956	454,007	37,619
Net position						
Net investment in capital assets	1,095,183	683,703	2,745,084	2,311,562	3,840,267	2,995,265
Restricted	335,541	423,108	50,451	50,451	385,992	473,559
Unrestricted	424,647	748,489	401,165	383,587	825,812	1,132,076
Total net position	\$ 1,855,371	\$ 1,855,300	\$ 3,196,700	\$ 2,745,600	\$ 5,052,071	\$ 4,600,900

By far, the largest portion of the Village's net position, \$3,840,267, reflects its investment in capital assets (e.g., land, land improvements, buildings and improvements, furniture and equipment, vehicles, infrastructure, and water and sewer systems), less any debt used to acquire those assets still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other resources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village's net position, \$385,992, represents resources that are subject to external restriction on how they may be used. The remaining net position of \$825,812 is unrestricted.

The government's net position increased by \$136,342 during the current fiscal year.

VILLAGE OF BROOKLYN, MICHIGAN

Management's Discussion and Analysis

The following table shows the changes in net position during the current fiscal year with a comparison to the last year audited (2021):

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2023*	2021	2023*	2021	2023*	2021
Revenues						
Program revenues -						
Charges for services	\$ 123,188	\$ 362,148	\$ 710,722	\$ 1,086,192	\$ 833,910	\$ 1,448,340
General revenues:						
Property taxes	39,526	502,129	-	-	39,526	502,129
Grants and contributions not restricted to specific programs	457,323	323,369	-	-	457,323	323,369
Unrestricted investment earnings	1,890	5,743	1,813	1,027	3,703	6,770
Other revenue	32,698	41,590	4,803	-	37,501	41,590
Total revenues	654,625	1,234,979	717,338	1,087,219	1,371,963	2,322,198
Expenses						
General government	226,044	262,646	-	-	226,044	262,646
Public safety	42,939	59,891	-	-	42,939	59,891
Public works	248,672	903,796	-	-	248,672	903,796
Culture and recreation	6,075	11,394	-	-	6,075	11,394
Other functions	108,571	116,299	-	-	108,571	116,299
Interest on long-term debt	12,678	39,980	-	-	12,678	39,980
Water	-	-	202,427	380,855	202,427	380,855
Sewer	-	-	388,215	524,835	388,215	524,835
Total expenses	644,979	1,394,006	590,642	905,690	1,235,621	2,299,696
Change in net position	9,646	(159,027)	126,696	181,529	136,342	22,502
Net position						
Beginning of year	1,845,725	2,014,327	3,070,004	2,564,071	4,915,729	4,578,398
Net position						
End of year	<u>\$ 1,855,371</u>	<u>\$ 1,855,300</u>	<u>\$ 3,196,700</u>	<u>\$ 2,745,600</u>	<u>\$ 5,052,071</u>	<u>\$ 4,600,900</u>

* For the 8-month period ended June 30, 2023

Governmental Activities. Governmental activities increased the Village's net position by \$9,646 during the current fiscal year compared to a decrease of \$159,027 in 2021. This is primarily the result of no property taxes be recognized as the result of the change in year end from October 31st to June 30th. Property taxes are recognized each fall of the calendar year.

Business-type Activities. Business-type activities increased the Village's net position by \$126,696 in the current year, compared to an increase of \$181,529 in 2021. This was primarily the result of the change in year end from October 31st to June 30th and comparing eight months worth of activities in 2023 to a full 12 months in 2021. The annualized 2023 total revenues totaled \$1,076,007 or a \$11,212 decrease from 2023 to 2021. The annualized 2023 total expenses totaled \$885,963 or a \$19,727 decrease from 2023 to 2021.

VILLAGE OF BROOKLYN, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,120,353, a decrease of \$625,456 in comparison with the prior year. Approximately 50.2% of this total amount, \$530,295, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted to pay for major streets (\$229,203), local streets (\$84,478), street tax receiving (\$2,864), street improvement capital projects (\$254,517), or building inspections (\$18,996).

General Fund Highlights

The general fund is the chief operating fund of the Village. As summarized below, during the 2023 8-month period the general fund had total revenues of \$271,942 and total expenditures of \$579,470. As a result, the fund balance at year-end decreased by \$307,528, to a total of \$530,295.

Summary of General Fund Performance			
For the 8-Month Period Ended June 30, 2023			
	Original Budget	Final Budget	Actual Results
Total revenues	\$ 236,150	\$ 242,499	\$ 271,942
Total expenditures	(578,920)	(524,659)	(579,470)
Net change in fund balance	(342,770)	(282,160)	(307,528)
Fund balance -			
Beginning of year	837,823	837,823	837,823
End of year	<u>\$ 495,053</u>	<u>\$ 555,663</u>	<u>\$ 530,295</u>

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures which in this case is the same. Unassigned and total fund balance represents 91.5% of total general fund expenditures.

As shown in the budget to actual statement, the Village had originally budgeted revenues of \$236,150. During the course of the 8-month period, the Village had authorized total budget amendments of \$6,349 as a result of small changes in other revenue, amending budgeted revenues to \$242,499. Actual revenues were more than the budget by \$29,443, primarily due to charges for services and state revenue. The Village had originally budgeted operational expenditures of \$578,920. During the course of the current fiscal year, the Village authorized total budget amendments of \$54,261 as a result of a decrease in O&M agreement - Clark Lake WW. Actual operating results were more than the budget by \$54,811, primarily due general government expenditures coming in above budget by \$28,676.

VILLAGE OF BROOKLYN, MICHIGAN

Management's Discussion and Analysis

Major Street Special Revenue Fund Highlights

The major street special revenue fund is a major fund of the Village. During the 2023 8-month period the major street fund had total revenues and transfers in of \$369,616 and total expenditures of \$345,203. As a result, the fund balance at year-end increased by \$24,413, to a total of \$229,203.

Local Street Special Revenue Fund Highlights

The local street special revenue fund is a major fund of the Village. During the 2023 8-month period the local street fund had total revenues and transfers in of \$409,709 and total expenditures of \$231,142. As a result, the fund balance at year-end increased by \$178,567, to a total of \$84,478.

Street Improvement Capital Project Fund Highlights

The street improvement capital project fund is a major fund of the Village. The fund balance of the street improvement capital project fund decreased by \$533,320 during the 2023 8-month period. Fund balance decreased as a result of the continue spend down on the \$1.25 million 2021 capital improvement bonds. At the end of the current fiscal year, the total fund balance of the street improvement capital project fund was \$254,517. Total expenditures and transfers out for the 2023 8-month period were \$533,320 for capital outlay costs associated with the 2021 capital improvement bonds.

Water Fund. The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Sewer Fund. The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Capital Asset and Debt Administration

Capital Assets. The Village's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounted to \$5,489,134 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and improvements, furniture and equipment, vehicles, infrastructure, and water and sewer systems.

Major capital asset events during the current fiscal year were infrastructure additions toward high priority sidewalk replacements and toward continued street upgrades throughout the Village.

	Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-type Activities		Total	
	2023	2021	2023	2021	2023	2021
Land	\$ 70,000	\$ 70,000	\$ 36,000	\$ 36,000	\$ 106,000	\$ 106,000
Land improvements	20,756	24,219	-	-	20,756	24,219
Buildings and improvements	591,318	614,465	970,991	1,031,782	1,562,309	1,646,247
Furniture and equipment	117,133	75,153	-	-	117,133	75,153
Vehicles	96,766	147,124	-	-	96,766	147,124
Infrastructure	1,409,912	461,386	-	-	1,409,912	461,386
Water system	-	-	875,263	576,456	875,263	576,456
Sewer system	-	-	1,300,995	1,210,489	1,300,995	1,210,489
Total capital assets, net	\$ 2,305,885	\$ 1,392,347	\$ 3,183,249	\$ 2,854,727	\$ 5,489,134	\$ 4,247,074

Additional information on the Village's capital assets can be found in Note 6 to the financial statements.

VILLAGE OF BROOKLYN, MICHIGAN

Management's Discussion and Analysis

Long-term Debt. The Village's long-term debt totaled \$1,903,384. This amount includes general obligation bonds and notes payable.

The Village's total indebtedness decreased by \$405,400 due to the continued pay down on debt outstanding.

	Long-term Debt					
	Governmental Activities		Business-type Activities		Total	
	2023	2021	2023	2021	2023	2021
General obligation bonds	\$ 1,057,000	\$ 1,395,619	\$ 438,165	\$ 543,165	\$ 1,495,165	\$ 1,938,784
Notes from direct borrowings and direct placements	408,219	370,000	-	-	408,219	370,000
Total long-term debt	\$ 1,465,219	\$ 1,765,619	\$ 438,165	\$ 543,165	\$ 1,903,384	\$ 2,308,784

Additional information on the Village's long-term debt can be found in Note 9 to the financial statements.

Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the Village's budget for the 2023-24 fiscal year and will continue to be an on-going concern as the Village moves forward with projected budgets.

- Sidewalk replacement and upgrades of \$50,000 continues to be a priority for the Village to increase safety and walkability in the community.
- Budget considerations were also made for new asset management programs that will create detailed maintenance plans for Village assets that will have dedicated funds to increase sustainability, reliability, and efficiency of the water, sewer, and street systems.
- Continued budget restructuring from the changes with the O&M agreements and the different changes in the Department of Public Works (DPW) with less revenue and expenses.

Contacting the Village's Management

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village of Brooklyn, 121 N. Main Street, Brooklyn, Michigan 49230.

BASIC FINANCIAL STATEMENTS

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VILLAGE OF BROOKLYN, MICHIGAN

Statement of Net Position

June 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Corridor Improvement Authority
Assets				
Cash and cash equivalents	\$ 1,423,855	\$ 421,478	\$ 1,845,333	\$ 52,635
Restricted cash and cash equivalents	-	50,451	50,451	-
Receivables	520,924	113,975	634,899	2,515
Internal balances	(10,477)	10,477	-	-
Capital assets not being depreciated	70,000	36,000	106,000	-
Capital assets being depreciated, net	2,235,885	3,147,249	5,383,134	-
Total assets	4,240,187	3,779,630	8,019,817	55,150
Deferred outflows of resources				
Deferred pension amounts	154,497	34,093	188,590	-
Liabilities				
Accounts payable and accrued liabilities	151,941	76,086	228,027	4,520
Bonds, notes, and other long-term liabilities:				
Due within one year	155,200	105,000	260,200	-
Due in more than one year	1,310,019	333,165	1,643,184	-
Net pension liability (due in more than one year)	430,182	94,931	525,113	-
Total OPEB liability (due in more than one year)	45,805	-	45,805	-
Total liabilities	2,093,147	609,182	2,702,329	4,520
Deferred inflows of resources				
Deferred lease amounts	410,637	-	410,637	-
Deferred pension amounts	35,529	7,841	43,370	-
Total deferred inflows of resources	446,166	7,841	454,007	-
Net position				
Net investment in capital assets	1,095,183	2,745,084	3,840,267	-
Restricted for:				
Major streets	229,203	-	229,203	-
Local streets	84,478	-	84,478	-
Street tax receiving	2,864	-	2,864	-
Building inspection	18,996	-	18,996	-
Debt service	-	50,451	50,451	-
Unrestricted	424,647	401,165	825,812	50,630
Total net position	\$ 1,855,371	\$ 3,196,700	\$ 5,052,071	\$ 50,630

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BROOKLYN, MICHIGAN

Statement of Activities

For the 8-Month Period Ended June 30, 2023

Functions / Programs	Expenses	Program Revenues	Net (Expense) Revenue
		Charges for Services	
Primary government			
Governmental activities:			
General government	\$ 226,044	\$ 100,788	\$ (125,256)
Public safety	42,939	22,400	(20,539)
Public works	248,672	-	(248,672)
Culture and recreation	6,075	-	(6,075)
Other functions	108,571	-	(108,571)
Interest on long-term debt	12,678	-	(12,678)
Total governmental activities	<u>644,979</u>	<u>123,188</u>	<u>(521,791)</u>
Business-type activities:			
Water	202,427	278,222	75,795
Sewer	388,215	432,500	44,285
Total business-type activities	<u>590,642</u>	<u>710,722</u>	<u>120,080</u>
Total primary government	<u>\$ 1,235,621</u>	<u>\$ 833,910</u>	<u>\$ (401,711)</u>
Component unit			
Corridor Improvement Authority	<u>4,622</u>	<u>-</u>	<u>(4,622)</u>
	<u>\$ 4,622</u>	<u>\$ -</u>	<u>\$ (4,622)</u>

continued...

VILLAGE OF BROOKLYN, MICHIGAN

Statement of Activities

For the 8-Month Period Ended June 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Changes in net position				
Net (expense) revenue	\$ (521,791)	\$ 120,080	\$ (401,711)	\$ (4,622)
General revenues:				
Property taxes	39,526	-	39,526	20,182
Grants and contributions not restricted to specific programs	457,323	-	457,323	-
Unrestricted investment earnings	1,890	1,813	3,703	-
Other revenue	32,698	4,803	37,501	-
Transfers - internal activities	-	-	-	-
General revenues	531,437	6,616	538,053	20,182
Change in net position	9,646	126,696	136,342	15,560
Net position, beginning of year	1,845,725	3,070,004	4,915,729	35,070
Net position, end of year	<u>\$ 1,855,371</u>	<u>\$ 3,196,700</u>	<u>\$ 5,052,071</u>	<u>\$ 50,630</u>

concluded.

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BROOKLYN, MICHIGAN

Balance Sheet

Governmental Funds

June 30, 2023

	General	Major Street	Local Street
Assets			
Cash and cash equivalents	\$ 690,678	\$ 128,562	\$ 69,559
Accounts receivable	36,107	-	-
Due from other governments	25,238	36,488	12,454
Lease receivable	410,637	-	-
Due from other funds	-	100,986	22,076
Total assets	\$ 1,162,660	\$ 266,036	\$ 104,089
Liabilities			
Accounts payable	\$ 9,967	\$ 23,021	\$ 932
Accrued liabilities	11,869	1,037	1,038
Due to other governments	66,353	12,775	17,641
Due to other funds	133,539	-	-
Total liabilities	221,728	36,833	19,611
Deferred inflow of resources			
Deferred lease amounts	410,637	-	-
Fund balances			
Restricted for:			
Major streets	-	229,203	-
Local streets	-	-	84,478
Street tax receiving	-	-	-
Capital projects	-	-	-
Building inspections	-	-	-
Unassigned	530,295	-	-
Total fund balances	530,295	229,203	84,478
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,162,660	\$ 266,036	\$ 104,089

The accompanying notes are an integral part of these financial statements.



Street Improvement	Nonmajor Governmental Funds	Total Governmental Funds
\$ 254,517	\$ 23,591	\$ 1,166,907
-	-	36,107
-	-	74,180
-	-	410,637
-	-	123,062
<u>\$ 254,517</u>	<u>\$ 23,591</u>	<u>\$ 1,810,893</u>
\$ -	\$ 1,690	\$ 35,610
-	41	13,985
-	-	96,769
-	-	133,539
<u>-</u>	<u>1,731</u>	<u>279,903</u>
<u>-</u>	<u>-</u>	<u>410,637</u>
-	-	229,203
-	-	84,478
-	2,864	2,864
254,517	-	254,517
-	18,996	18,996
-	-	530,295
<u>254,517</u>	<u>21,860</u>	<u>1,120,353</u>
<u>\$ 254,517</u>	<u>\$ 23,591</u>	<u>\$ 1,810,893</u>

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VILLAGE OF BROOKLYN, MICHIGAN

Reconciliation

Fund Balances of Governmental Funds
to Net Position of Governmental Activities
June 30, 2023

Fund balances - total governmental funds \$ 1,120,353

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

Capital assets not being depreciated	70,000
Capital assets being depreciated, net of accumulated depreciation	2,235,885
Less: capital assets being accounted for in internal service fund	(264,402)

Internal service funds are used by management to charge the costs of certain equipment usage to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

Net position of governmental internal service fund	521,257
--	---------

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

General obligation bonds and notes payable	(1,465,219)
Accrued interest on long-term liabilities	(5,484)

Certain pension-related amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

Net pension liability	(430,182)
Deferred outflows related to the net pension liability	154,497
Deferred inflows related to the net pension liability	(35,529)
Total OPEB liability	<u>(45,805)</u>

Net position of governmental activities \$ 1,855,371

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BROOKLYN, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the 8-Month Period Ended June 30, 2023

	General	Major Street	Local Street
Revenues			
Property taxes	\$ 22,549	\$ 1,026	\$ 7,935
Licenses and permits	740	-	-
Intergovernmental	115,366	308,084	33,873
Charges for services	100,048	-	-
Interest	891	131	261
Rental	21,868	-	-
Other	10,480	350	-
Total revenues	<u>271,942</u>	<u>309,591</u>	<u>42,069</u>
Expenditures			
Current expenditures:			
General government	228,663	-	-
Public safety	25,865	-	-
Public works	191,830	340,177	226,116
Culture and recreation	5,945	-	-
Other functions	86,956	-	-
Debt service:			
Principal	36,000	4,500	4,500
Interest and fiscal charges	4,211	526	526
Total expenditures	<u>579,470</u>	<u>345,203</u>	<u>231,142</u>
Revenues over (under) expenditures	<u>(307,528)</u>	<u>(35,612)</u>	<u>(189,073)</u>
Other financing sources (uses)			
Transfers in	-	60,025	367,640
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>60,025</u>	<u>367,640</u>
Net change in fund balances	(307,528)	24,413	178,567
Fund balances (deficit), beginning of year	<u>837,823</u>	<u>204,790</u>	<u>(94,089)</u>
Fund balances, end of year	<u>\$ 530,295</u>	<u>\$ 229,203</u>	<u>\$ 84,478</u>

The accompanying notes are an integral part of these financial statements.



Street Improvement	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 8,016	\$ 39,526
-	22,400	23,140
-	-	457,323
-	-	100,048
-	403	1,686
-	-	21,868
-	-	10,830
<hr/>	<hr/>	<hr/>
-	30,819	654,421
<hr/>	<hr/>	<hr/>
-	-	228,663
-	18,407	44,272
-	-	758,123
-	-	5,945
-	-	86,956
-	97,000	142,000
8,655	-	13,918
<hr/>	<hr/>	<hr/>
8,655	115,407	1,279,877
<hr/>	<hr/>	<hr/>
(8,655)	(84,588)	(625,456)
<hr/>	<hr/>	<hr/>
-	97,000	524,665
(524,665)	-	(524,665)
<hr/>	<hr/>	<hr/>
(524,665)	97,000	-
<hr/>	<hr/>	<hr/>
(533,320)	12,412	(625,456)
<hr/>	<hr/>	<hr/>
787,837	9,448	1,745,809
<hr/>	<hr/>	<hr/>
\$ 254,517	\$ 21,860	\$ 1,120,353
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VILLAGE OF BROOKLYN, MICHIGAN

Reconciliation

Net Changes in Fund Balances of Governmental Funds
to Change in Net Position of Governmental Activities
For the 8-Month Period Ended June 30, 2023

Net change in fund balances - total governmental funds \$ (625,456)

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 and reported as depreciation expense.

Capital assets purchased / constructed	579,420
Depreciation expense	(120,835)
Less: depreciation expense in the internal service fund	36,947

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on long-term bonds, notes, and other long-term liabilities	142,000
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Internal service funds are used by management to charge the costs of certain equipment usage to individual governmental funds. The net revenues (expense) attributable to those funds is reported with governmental activities.

Net operating income from governmental activities in internal service funds	33,834
Interest earnings from internal service fund	204

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in accrued interest payable on bonds	1,240
Change in net pension liability and related deferred outflows and inflows	(34,539)
Change in total OPEB liability	(3,169)

Change in net position of governmental activities \$ 9,646

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BROOKLYN, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - General Fund

For the 8-Month Period Ended June 30, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 44,800	\$ 44,800	\$ 22,549	\$ (22,251)
Licenses and permits	11,500	11,500	740	(10,760)
Intergovernmental	83,000	83,000	115,366	32,366
Charges for services	63,500	63,500	100,048	36,548
Interest	850	850	891	41
Rental	21,300	21,300	21,868	568
Other	11,200	17,549	10,480	(7,069)
Total revenues	236,150	242,499	271,942	29,443
Expenditures				
General government:				
Village council	14,550	12,700	19,073	6,373
Manager	93,500	86,763	90,166	3,403
Clerk	9,900	16,850	21,111	4,261
Treasurer	17,075	17,075	26,098	9,023
Village hall and grounds	71,750	66,599	72,215	5,616
Total general government	206,775	199,987	228,663	28,676
Public safety:				
Police	22,500	22,000	20,000	(2,000)
Building inspection	6,350	6,350	5,865	(485)
Total public safety	28,850	28,350	25,865	(2,485)
Public works:				
Department of public works	84,500	86,366	99,194	12,828
O&M agreement - Clark Lake WW	153,650	84,900	91,156	6,256
Planning commission	3,725	2,125	1,480	(645)
Total public works	241,875	173,391	191,830	18,439
Culture and recreation -				
Parks and recreation	12,745	6,745	5,945	(800)
Other functions -				
Unallocated employee benefits	79,675	75,975	86,956	10,981
Debt service:				
Principal	4,000	36,000	36,000	-
Interest and fiscal charges	5,000	4,211	4,211	-
Total debt service	9,000	40,211	40,211	-
Total expenditures	578,920	524,659	579,470	54,811
Net change in fund balance	(342,770)	(282,160)	(307,528)	(25,368)
Fund balance, beginning of year	837,823	837,823	837,823	-
Fund balance, end of year	\$ 495,053	\$ 555,663	\$ 530,295	\$ (25,368)

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BROOKLYN, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Major Street Special Revenue Fund

For the 8-Month Period Ended June 30, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ -	\$ -	\$ 1,026	\$ 1,026
Intergovernmental	80,000	268,800	308,084	39,284
Interest	-	-	131	131
Other	-	-	350	350
Total revenues	<u>80,000</u>	<u>268,800</u>	<u>309,591</u>	<u>40,791</u>
Expenditures				
Public works	157,050	379,865	340,177	(39,688)
Debt service:				
Principal	4,000	4,500	4,500	-
Interest and fiscal charges	600	526	526	-
Total expenditures	<u>161,650</u>	<u>384,891</u>	<u>345,203</u>	<u>(39,688)</u>
Revenues under expenditures	(81,650)	(116,091)	(35,612)	80,479
Other financing sources				
Transfers in	40,000	60,025	60,025	-
Net change in fund balance	<u>(41,650)</u>	<u>(56,066)</u>	<u>24,413</u>	<u>80,479</u>
Fund balance, beginning of year	<u>204,790</u>	<u>204,790</u>	<u>204,790</u>	<u>-</u>
Fund balance, end of year	<u>\$ 163,140</u>	<u>\$ 148,724</u>	<u>\$ 229,203</u>	<u>\$ 80,479</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BROOKLYN, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget and Actual - Local Street Special Revenue Fund

For the 8-Month Period Ended June 30, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ -	\$ -	\$ 7,935	\$ 7,935
Intergovernmental	25,000	25,000	33,873	8,873
Interest	-	-	261	261
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>42,069</u>	<u>17,069</u>
Expenditures				
Public works	233,335	306,782	226,116	(80,666)
Debt service:				
Principal	4,000	4,500	4,500	-
Interest and fiscal charges	600	526	526	-
Total expenditures	<u>237,935</u>	<u>311,808</u>	<u>231,142</u>	<u>(80,666)</u>
Revenues under expenditures	(212,935)	(286,808)	(189,073)	97,735
Other financing sources				
Transfers in	-	367,640	367,640	-
Net change in fund balance	<u>(212,935)</u>	<u>80,832</u>	<u>178,567</u>	<u>97,735</u>
Fund balance (deficit), beginning of year	<u>(94,089)</u>	<u>(94,089)</u>	<u>(94,089)</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (307,024)</u></u>	<u><u>\$ (13,257)</u></u>	<u><u>\$ 84,478</u></u>	<u><u>\$ 97,735</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BROOKLYN, MICHIGAN

Statement of Net Position

Proprietary Funds
June 30, 2023

	Business-type Activities			Governmental Activities
	Water Enterprise Fund	Sewer Enterprise Fund	Total	Equipment Rental Internal Service Fund
Assets				
Current assets:				
Cash and cash equivalents	\$ 81,180	\$ 340,298	\$ 421,478	\$ 256,948
Accounts receivable	42,386	71,589	113,975	-
Due from other funds	39,483	65,178	104,661	-
Total current assets	<u>163,049</u>	<u>477,065</u>	<u>640,114</u>	<u>256,948</u>
Noncurrent assets:				
Restricted cash	50,451	-	50,451	-
Capital assets not being depreciated	1,000	35,000	36,000	-
Capital assets being depreciated, net	1,846,268	1,300,981	3,147,249	264,402
Total noncurrent assets	<u>1,897,719</u>	<u>1,335,981</u>	<u>3,233,700</u>	<u>264,402</u>
Total assets	<u>2,060,768</u>	<u>1,813,046</u>	<u>3,873,814</u>	<u>521,350</u>
Deferred outflows of resources				
Deferred pension amounts	<u>12,748</u>	<u>21,345</u>	<u>34,093</u>	<u>-</u>
Liabilities				
Current liabilities:				
Accounts payable	2,226	56,171	58,397	93
Accrued interest payable	2,328	-	2,328	-
Accrued liabilities	1,515	811	2,326	-
Due to other governments	-	13,035	13,035	-
Due to other funds	94,184	-	94,184	-
Bonds payable, current portion	105,000	-	105,000	-
Total current liabilities	<u>205,253</u>	<u>70,017</u>	<u>275,270</u>	<u>93</u>
Noncurrent liabilities:				
Bonds payable	333,165	-	333,165	-
Net pension liability	35,498	59,433	94,931	-
Total noncurrent liabilities	<u>368,663</u>	<u>59,433</u>	<u>428,096</u>	<u>-</u>
Total liabilities	<u>573,916</u>	<u>129,450</u>	<u>703,366</u>	<u>93</u>
Deferred inflows of resources				
Deferred pension amounts	<u>2,932</u>	<u>4,909</u>	<u>7,841</u>	<u>-</u>
Net position				
Net investment in capital assets	1,409,103	1,335,981	2,745,084	264,402
Restricted for debt service	50,451	-	50,451	-
Unrestricted	37,114	364,051	401,165	256,855
Total net position	<u>\$ 1,496,668</u>	<u>\$ 1,700,032</u>	<u>\$ 3,196,700</u>	<u>\$ 521,257</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BROOKLYN, MICHIGAN

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

For the 8-Month Period Ended June 30, 2023

	Business-type Activities			Governmental Activities
	Water Enterprise Fund	Sewer Enterprise Fund	Total	Equipment Rental Internal Service Fund
Operating revenues				
Charges for services	\$ 278,222	\$ 432,500	\$ 710,722	\$ 100,000
Other	4,735	68	4,803	-
Total operating revenues	<u>282,957</u>	<u>432,568</u>	<u>715,525</u>	<u>100,000</u>
Operating expenses				
Personnel services	49,102	35,897	84,999	190
Supplies and materials	10,242	2,949	13,191	28,307
Contractual and other	60,274	297,557	357,831	722
Utilities	14,513	13,473	27,986	-
Depreciation	62,444	38,339	100,783	36,947
Total operating expenses	<u>196,575</u>	<u>388,215</u>	<u>584,790</u>	<u>66,166</u>
Operating income	<u>86,382</u>	<u>44,353</u>	<u>130,735</u>	<u>33,834</u>
Nonoperating revenues (expenses)				
Interest revenue	1,449	364	1,813	204
Interest expense	(5,852)	-	(5,852)	-
Total nonoperating revenues (expenses)	<u>(4,403)</u>	<u>364</u>	<u>(4,039)</u>	<u>204</u>
Change in net position	<u>81,979</u>	<u>44,717</u>	<u>126,696</u>	<u>34,038</u>
Net position, beginning of year	<u>1,414,689</u>	<u>1,655,315</u>	<u>3,070,004</u>	<u>487,219</u>
Net position, end of year	<u>\$ 1,496,668</u>	<u>\$ 1,700,032</u>	<u>\$ 3,196,700</u>	<u>\$ 521,257</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BROOKLYN, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the 8-Month Period Ended June 30, 2023

	Business-type Activities			Governmental Activities
	Water Enterprise Fund	Sewer Enterprise Fund	Total	Equipment Rental Internal Service Fund
Cash flows from operating activities				
Receipts from customers and users	\$ 280,064	\$ 427,736	\$ 707,800	\$ -
Receipts for interfund services	-	-	-	100,000
Payments to suppliers and contractors	(116,664)	(357,107)	(473,771)	(19,954)
Payments to employees for services	(46,670)	(31,188)	(77,858)	(190)
Net cash provided by operating activities	<u>116,730</u>	<u>39,441</u>	<u>156,171</u>	<u>79,856</u>
Cash flows from capital and related financing activities				
Acquisition/construction of capital assets	-	(50,231)	(50,231)	-
Interest paid on long-term bonds, notes, and other long-term liabilities	(4,654)	-	(4,654)	-
Net cash used in capital and related financing activities	<u>(4,654)</u>	<u>(50,231)</u>	<u>(54,885)</u>	<u>-</u>
Cash flows from investing activities				
Interest income received	<u>1,449</u>	<u>364</u>	<u>1,813</u>	<u>204</u>
Net change in cash and cash equivalents	113,525	(10,426)	103,099	80,060
Cash and cash equivalents, beginning of year	<u>18,106</u>	<u>350,724</u>	<u>368,830</u>	<u>176,888</u>
Cash and cash equivalents, end of year	<u>\$ 131,631</u>	<u>\$ 340,298</u>	<u>\$ 471,929</u>	<u>\$ 256,948</u>
Reconciliation to the Statement of Net Position				
Cash and cash equivalents	\$ 81,180	\$ 340,298	\$ 421,478	\$ 256,948
Restricted cash	<u>50,451</u>	<u>-</u>	<u>50,451</u>	<u>-</u>
	<u>\$ 131,631</u>	<u>\$ 340,298</u>	<u>\$ 471,929</u>	<u>\$ 256,948</u>

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VILLAGE OF BROOKLYN, MICHIGAN

Statement of Cash Flows

Proprietary Funds

For the 8-Month Period Ended June 30, 2023

	Business-type Activities			Governmental Activities
	Water Enterprise Fund	Sewer Enterprise Fund	Total	Equipment Rental Internal Service Fund
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 86,382	\$ 44,353	\$ 130,735	\$ 33,834
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	62,444	38,339	100,783	36,947
Changes in operating assets and liabilities:				
Accounts receivable	(2,893)	(4,832)	(7,725)	-
Due from other funds	-	-	-	9,261
Deferred outflows of resources - pension	(3,974)	(7,215)	(11,189)	-
Accounts payable	(24,893)	(39,963)	(64,856)	(186)
Accrued liabilities	794	433	1,227	-
Due to other funds	(6,742)	(3,165)	(9,907)	-
Net pension liability	12,605	22,565	35,170	-
Deferred inflows of resources - pension	(6,993)	(11,074)	(18,067)	-
Net cash provided by operating activities	<u>\$ 116,730</u>	<u>\$ 39,441</u>	<u>\$ 156,171</u>	<u>\$ 79,856</u>

concluded.

The accompanying notes are an integral part of these financial statements.

VILLAGE OF BROOKLYN, MICHIGAN

Balance Sheet / Statement of Net Position

Corridor Improvement Authority

June 30, 2023

	Corridor Improvement Authority	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 52,635	\$ -	\$ 52,635
Accounts receivable	2,515	-	2,515
Total assets	<u>\$ 55,150</u>	<u>-</u>	<u>55,150</u>
Liabilities			
Accounts payable	\$ 4,520	-	4,520
Fund balance			
Unassigned	50,630	(50,630)	-
Total liabilities and fund balance	<u>\$ 55,150</u>		
Net position			
Unrestricted		<u>\$ 50,630</u>	<u>\$ 50,630</u>

VILLAGE OF BROOKLYN, MICHIGAN

Statement of Revenues, Expenditures, and Changes in Fund Balance / Statement of Activities

Corridor Improvement Authority

For the 8-Month Period Ended June 30, 2023

	Corridor Improvement Authority	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 20,182	\$ -	\$ 20,182
Expenditures/expenses			
Community development	4,622	-	4,622
Change in fund balance / net position	15,560	-	15,560
Fund balance / net position, beginning of year	35,070	-	35,070
Fund balance / net position, end of year	<u>\$ 50,630</u>	<u>\$ -</u>	<u>\$ 50,630</u>

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF BROOKLYN, MICHIGAN

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Village of Brooklyn, Michigan (the "Village") is governed by an elected seven-member Board. The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

During the 8-month period ended June 30, 2023, the Village changed from an October 31 year-end to a June 30 year-end.

Discretely presented component unit

The following component unit is reported within the component unit column in the statement of net position.

Corridor Improvement Authority (the "CIA") - The CIA was formed to enhance the Village's business district by preservation, creation and implementation of the development plans in the district to be financed by Tax Increment Finance District (TIF) from properties within its district. The CIA is made up of nine individuals representing the community businesses, residents, and the Village President. The CIA works in partnership with area businesses, the Village Council, the Village Planning Commission, and others to create and maintain a thriving business environment with the district.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

VILLAGE OF BROOKLYN, MICHIGAN

Notes to Financial Statements

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. However, fiduciary funds do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants which use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and permits, state revenue, fees, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The *general fund* is the Village's primary operating fund. It is used to account for and report all financial resources not accounted for and reported in another fund.

The *major street special revenue fund* is used to account for the maintenance and construction of streets designated by the Michigan Department of Transportation as major streets.

The *local street special revenue fund* is used to account for the maintenance and construction of streets designated by the Michigan Department of Transportation as local streets.

The *street improvement capital project fund* is used to account for the capital expenditures for the street improvement capital projects of the Village.

The Village reports the following major proprietary funds:

The *water fund* accounts for the operation and maintenance of the water system, capital additions and improvements, and retirement of related long-term debt. Financing is provided by user charges.

The *sewer fund* accounts for the operation and maintenance of the sewer system, capital additions and improvements, and retirement of related long-term debt. Financing is provided by user charges.

VILLAGE OF BROOKLYN, MICHIGAN

Notes to Financial Statements

Additionally, the Village reports the following fund types:

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

The *internal service fund* accounts for equipment expense by which other government funds reimburse through equipment rental charges.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Restricted net position is reported for amounts that are subject to restrictions beyond the Village's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Deposits

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

VILLAGE OF BROOKLYN, MICHIGAN

Notes to Financial Statements

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Revenues received in advance of project costs being incurred are recorded as unearned revenue.

Leases

Lessor. The Village is a lessor for noncancellable leases of land and buildings. The village recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the Village initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for prepaid lease payments received at lease inception. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Village determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The Village uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Village monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Capital assets

Capital assets, which include land, land improvements, buildings and improvements, furniture and equipment, vehicles, infrastructure, and water and sewer systems, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Village defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

VILLAGE OF BROOKLYN, MICHIGAN

Notes to Financial Statements

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

	Years
Land improvements	10-20
Buildings and improvements	3-12
Furniture and equipment	3-12
Vehicles	5-7
Infrastructure	10-30
Water and sewer systems	30-50

Deferred outflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Village reports deferred outflows of resources for the change in expected and actual investment returns, assumptions, and benefits provided in its pension plan, as well as a portion that represents contributions to the plan subsequent to the plan measurement date.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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

Deferred inflows of resources

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 assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item that qualifies for reporting in this category. The Village reports deferred inflows of resources for change in expected and actual investment returns, assumptions, and benefits provided in its pension plans.

VILLAGE OF BROOKLYN, MICHIGAN

Notes to Financial Statements

Fund balances

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Village Council. A formal resolution of the Village Council is required to establish, modify, or rescind a fund balance commitment. The Village currently has no committed fund balance. The Village has no assigned fund balance as the Village Council has not yet given authority for the making of such assignments; assigned fund balances are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund or for any fund in a deficit position.

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

Property taxes

Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension liability, total other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pension expenses, information about the fiduciary net position of the plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of estimates

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

VILLAGE OF BROOKLYN, MICHIGAN

Notes to Financial Statements

2. BUDGETARY INFORMATION

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The general fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. Expenditures at this level in excess of amounts budgeted for activities are a violation of Michigan law. Budget amendments are proposed as needed and subject to formal approval by the Village Council.

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Village were adopted at the activity level for the general fund and special revenue funds. During the year the Village incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	Final Budget	Actual	Variance with Final Budget
General fund			
General government:			
Village council	\$ 12,700	\$ 19,073	\$ 6,373
Manager	86,763	90,166	3,403
Clerk	16,850	21,111	4,261
Treasurer	17,075	26,098	9,023
Village hall and grounds	66,599	72,215	5,616
Public works:			
Department of public works	86,366	99,194	12,828
O&M agreement - Clark Lake WW	84,900	91,156	6,256
Other functions -			
Unallocated employee benefits	75,975	86,956	10,981

VILLAGE OF BROOKLYN, MICHIGAN

Notes to Financial Statements

4. CASH AND CASH EQUIVALENTS

Following is a reconciliation of cash and cash equivalents as of June 30, 2023:

	Primary Government	Component Units	Totals
Statement of net position			
Cash and cash equivalents	\$ 1,845,333	\$ 52,635	\$ 1,897,968
Restricted cash and cash equivalents	50,451	-	50,451
Total	<u>\$ 1,895,784</u>	<u>\$ 52,635</u>	<u>\$ 1,948,419</u>
Deposits			
Demand deposits checking/savings accounts and CDs due within one year			\$ 1,948,319
Cash on hand			100
Total			<u>\$ 1,948,419</u>

Statutes authorize the Village to invest funds in the following:

- Bonds, securities, other obligations, and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

VILLAGE OF BROOKLYN, MICHIGAN

Notes to Financial Statements

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the listing of authorized investments above. The Village’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Village had no investments at June 30, 2023.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds, and qualified external investment pools as identified in the list of authorized investments above. The Village’s investment policy does not have specific limits in excess of state law on investment credit risk. The Village had no investments at June 30, 2023.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Village’s deposits may not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. As of year-end, \$1,551,700 of the Village’s bank balance of \$1,963,970 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Village does not have a policy for investment custodial credit risk. The Village had no investments at June 30, 2023.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Village’s investment policy does not have specific limits in excess of state law on concentration of credit risk. The Village had no investments at June 30, 2023.

5. RECEIVABLES

Receivables in the governmental and business-type activities are as follows:

	Governmental Activities	Business-type Activities
Accounts receivable	\$ 36,107	\$ 113,975
Due from other governments	74,180	-
Leases receivable	410,637	-
	<u>\$ 520,924</u>	<u>\$ 113,975</u>
Amounts not due within one year	<u>\$ 384,678</u>	<u>\$ -</u>

VILLAGE OF BROOKLYN, MICHIGAN

Notes to Financial Statements

6. CAPITAL ASSETS

Primary government

Capital asset activity for the 8-month period ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities				
Capital assets not being depreciated -				
Land	\$ 70,000	\$ -	\$ -	\$ 70,000
Capital assets being depreciated:				
Land improvements	98,831	-	-	98,831
Buildings and improvements	774,663	-	-	774,663
Furniture and equipment	555,154	-	-	555,154
Vehicles	341,783	-	-	341,783
Infrastructure	1,689,712	579,420	-	2,269,132
	<u>3,460,143</u>	<u>579,420</u>	<u>-</u>	<u>4,039,563</u>
Less accumulated depreciation for:				
Land improvements	(76,894)	(1,181)	-	(78,075)
Buildings and improvements	(174,086)	(9,259)	-	(183,345)
Furniture and equipment	(421,963)	(16,058)	-	(438,021)
Vehicles	(224,874)	(20,143)	-	(245,017)
Infrastructure	(785,026)	(74,194)	-	(859,220)
	<u>(1,682,843)</u>	<u>(120,835)</u>	<u>-</u>	<u>(1,803,678)</u>
Total capital assets being depreciated, net	<u>1,777,300</u>	<u>458,585</u>	<u>-</u>	<u>2,235,885</u>
Governmental activities capital assets, net	<u>\$ 1,847,300</u>	<u>\$ 458,585</u>	<u>\$ -</u>	<u>\$ 2,305,885</u>

VILLAGE OF BROOKLYN, MICHIGAN

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities				
Capital assets not being depreciated -				
Land	\$ 36,000	\$ -	\$ -	\$ 36,000
Capital assets being depreciated:				
Buildings and improvements	1,632,407	-	-	1,632,407
Water system	1,960,966	-	-	1,960,966
Sewer system	2,725,139	50,231	-	2,775,370
	<u>6,318,512</u>	<u>50,231</u>	<u>-</u>	<u>6,368,743</u>
Less accumulated depreciation for:				
Buildings and improvements	(637,099)	(24,317)	-	(661,416)
Water system	(1,047,462)	(38,241)	-	(1,085,703)
Sewer system	(1,436,150)	(38,225)	-	(1,474,375)
	<u>(3,120,711)</u>	<u>(100,783)</u>	<u>-</u>	<u>(3,221,494)</u>
Total capital assets being depreciated, net	<u>3,197,801</u>	<u>(50,552)</u>	<u>-</u>	<u>3,147,249</u>
Business-type activities capital assets, net	<u>\$ 3,233,801</u>	<u>\$ (50,552)</u>	<u>\$ -</u>	<u>\$ 3,183,249</u>

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

Depreciation of governmental activities by function

General government	\$ 1,095
Public works	82,484
Culture and recreation	309
Capital assets held by the government's internal service fund is charged to the various functions based on their usage	<u>36,947</u>

Total governmental activities

\$ 120,835

Depreciation of business-type activities by function

Water	\$ 62,444
Sewer	<u>38,339</u>

Total business-type activities

\$ 100,783

VILLAGE OF BROOKLYN, MICHIGAN

Notes to Financial Statements

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Payables in the governmental and business-type activities are as follows:

	Governmental Activities	Business-type Activities
Accounts payable	\$ 35,703	\$ 58,397
Accrued interest payable	5,484	2,328
Accrued liabilities	13,985	2,326
Due to other governments	96,769	13,035
	<u>\$ 151,941</u>	<u>\$ 76,086</u>

8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2023, amounts due from and due to other funds were as follows:

Receivable Funds	Payable Funds		
	General	Water Enterprise	Totals
Major street	\$ 15,986	\$ 85,000	\$ 100,986
Local street	22,076	-	22,076
Water enterprise	39,483	-	39,483
Sewer enterprise	55,994	9,184	65,178
	<u>\$ 133,539</u>	<u>\$ 94,184</u>	<u>\$ 227,723</u>

Due to/from balances result primarily from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and/or payments between funds are made. Interfund receivables and payables represent routine and temporary cash flow assistance. The amounts outstanding at year end consisted of the following: (1) the general fund owing \$15,986 to the major street, \$22,076 to the local street, \$39,483 to the water enterprise, and \$55,994 to the sewer enterprise funds; and (2) the water enterprise fund owing \$85,000 to the major street fund and \$9,184 to the sewer enterprise fund.

VILLAGE OF BROOKLYN, MICHIGAN

Notes to Financial Statements

For the 8-month period ended June 30, 2023, interfund transfers are summarized as follows:

Transfers In	Transfers Out
	Street Improvement Fund
Major street fund	\$ 60,025
Local street fund	367,640
Nonmajor governmental funds	<u>97,000</u>
	<u>\$ 524,665</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (2) the street improvement capital project fund transferring \$60,025 to major street fund, \$367,640 to local street fund, and \$97,000 to the nonmajor governmental debt service fund.

9. BONDS, NOTES, AND OTHER LONG-TERM LIABILITIES

Bonds, notes, and other long-term liability activity for the 8-month period ended June 30, 2023 is summarized as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 1,154,000	\$ -	\$ (97,000)	\$ 1,057,000	\$ 99,000
Notes from direct borrowings and direct placements	453,219	-	(45,000)	408,219	56,200
Total governmental activities	<u>\$ 1,607,219</u>	<u>\$ -</u>	<u>\$ (142,000)</u>	<u>\$ 1,465,219</u>	<u>\$ 155,200</u>
Business-type activities					
General obligation bonds	<u>\$ 438,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 438,165</u>	<u>\$ 105,000</u>

VILLAGE OF BROOKLYN, MICHIGAN

Notes to Financial Statements

General obligation bonds. The Village issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 20 to 25 year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

	Year of Maturity	Interest Rates	Original Amount	Amount
Governmental activities				
2021 capital improvement bonds	2033	1.50%	\$ 1,250,000	<u>\$ 1,057,000</u>
Business-type activities				
2006 Drinking Program #7183-01 general obligation unlimited tax bond	2027	2.125%	\$ 1,500,000	\$ 355,000
2006 Drinking Program #7183-02 general obligation unlimited tax bond	2027	2.125%	328,165	<u>83,165</u>
Total business-type activities				<u>\$ 438,165</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ended June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 99,000	\$ 15,855	\$ 105,000	\$ 8,195
2025	100,000	14,370	110,000	5,911
2026	102,000	12,870	110,000	3,574
2027	103,000	11,340	113,165	1,202
2028	105,000	9,795	-	-
2029-2033	548,000	24,915	-	-
	<u>\$ 1,057,000</u>	<u>\$ 89,145</u>	<u>\$ 438,165</u>	<u>\$ 18,882</u>

VILLAGE OF BROOKLYN, MICHIGAN

Notes to Financial Statements

Notes from Direct Borrowings and Direct Placements. The Village has entered into loan agreements with certain State agencies for program purposes. Loans payable at June 30, 2023 are as follows:

	Year of Maturity	Interest Rates	Original Amount	Amount
Governmental activities				
Brownfield redevelopment	2033	2.00%	\$ 228,965	\$ 123,219
DPW garage	2029	3.20%	630,000	285,000
				<u>\$ 408,219</u>

Annual debt service requirements to maturity for notes from direct borrowings and direct placements are as follows:

Year Ended June 30,	Governmental Activities	
	Principal	Interest
2024	\$ 56,200	\$ 9,975
2025	55,231	10,640
2026	55,435	8,861
2027	60,644	7,077
2028	60,857	5,114
2029-2033	107,629	6,476
2034	12,223	245
	<u>\$ 408,219</u>	<u>\$ 48,388</u>

10. RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for medical benefit claims. The Village participates in the Michigan Municipal League risk pool for claims relating to workers' compensation, property loss, torts, and errors and omissions. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

VILLAGE OF BROOKLYN, MICHIGAN

Notes to Financial Statements

11. CONTINGENCIES

In the normal course of its activities, the Village has become a party in various legal actions, including property tax assessment appeals. Management of the Village is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Village and, therefore, has not reflected loss reserves in the financial statements.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Village expects such amounts, if any, to be immaterial.

12. PENSION PLAN

General Information About the Plan

Plan Description. The Village's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Village 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. Pension benefits vary by division/bargaining unit and are calculated as final average compensation (based on a 3 or 5 year period) and multipliers at 2.25%. Participants are considered to be fully vested in the plan after 10 years. Normal retirement age is 60 with early retirement at age 50 with 25 years of service, or age 55 with 15 years of service, depending on division/bargaining unit.

Employees Covered by Benefit Terms. At the December 31, 2022 valuation date, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>8</u>
Total membership	<u><u>25</u></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 are 14.55% based on annual payroll. Member contributions are 4.70%.

VILLAGE OF BROOKLYN, MICHIGAN

Notes to Financial Statements

Net Pension Liability. The Village's net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.00%, net of investment and administrative expense including inflation

The base mortality tables used are constructed as described below and are based on are amount weighted sex distinct rates:

- Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120
- Non-disabled retired plan members and beneficiaries mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120
- Disabled retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, and 100% of PubNS-2010 Disabled Retiree Tables for ages 18-120

The actuarial assumptions used in the December 31, 2022 valuation were based on the results of the most recent actuarial experience study of 2014-2018.

VILLAGE OF BROOKLYN, MICHIGAN

Notes to Financial Statements

Long-term Expected Rate of Return. 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	60.0%	4.50%	2.70%
Global fixed income	20.0%	2.00%	0.40%
Private investments	20.0%	7.00%	1.40%
	100.0%		
Inflation			2.50%
Administrative expenses netted above			0.25%
Investment rate of return			7.25%

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2022 was 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

VILLAGE OF BROOKLYN, MICHIGAN

Notes to Financial Statements

Changes in Net Pension Liability

The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2021	\$ 1,366,603	\$ 1,043,415	\$ 323,188
Changes for the year:			
Service cost	48,600	-	48,600
Interest	97,563	-	97,563
Differences between expected and actual experience	51,572	-	51,572
Employer contributions	-	82,210	(82,210)
Employee contributions	-	23,499	(23,499)
Net investment income	-	(107,947)	107,947
Benefit payments, including refunds of employee contributions	(90,444)	(90,444)	-
Administrative expense	-	(1,952)	1,952
Net changes	<u>107,291</u>	<u>(94,634)</u>	<u>201,925</u>
Balances at December 31, 2022	<u>\$ 1,473,894</u>	<u>\$ 948,781</u>	<u>\$ 525,113</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the Village, calculated using the discount rate of 7.25%, as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1% 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%)
\$ 668,965	\$ 525,113	\$ 404,186

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

VILLAGE OF BROOKLYN, MICHIGAN

Notes to Financial Statements

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

For the 8-month ended June 30, 2023, the Village recognized pension expense of \$92,137. The Village reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 36,034	\$ 43,370	\$ (7,336)
Changes in assumptions	26,884	-	26,884
Net difference between projected and actual earnings on pension plan investments	86,450	-	86,450
	<u>149,368</u>	<u>43,370</u>	<u>105,998</u>
Contributions subsequent to the measurement date	39,222	-	39,222
	<u>39,222</u>	<u>-</u>	<u>39,222</u>
Total	<u>\$ 188,590</u>	<u>\$ 43,370</u>	<u>\$ 145,220</u>

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 June 30, 2024. Other amounts reported as deferred outflows/inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2024	\$ 21,676
2025	22,569
2026	24,936
2027	<u>36,817</u>
Total	<u>\$ 105,998</u>

Payable to the Pension Plan. At June 30, 2023, the Village had no amounts payable for contributions to the pension plan.

For the governmental activities, the net pension liability is generally liquidated by the general fund.

VILLAGE OF BROOKLYN, MICHIGAN

Notes to Financial Statements

13. OTHER POSTEMPLOYMENT BENEFITS

General Information About the Plan

Plan Description. The Village provides certain health care benefits for retirees. The Village reimburses some of the retirees a monthly amount towards the cost of their Medicare Part B insurance premiums.

Benefits Provided. Other postemployment benefits are determined on an annual basis. For the 8-month period ended June 30, 2023, that amount was \$100 per retiree. No separate financial statements are issued with respect to this benefit obligation.

Employees Covered by Benefit Terms. At June 30, 2023, plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	3
Active employees	<u>7</u>
Total membership	<u><u>10</u></u>

Contributions. The Village has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a “pay-as-you-go” basis). There were no prefunding contributions made in the current fiscal year. The amount of the annual required contribution is reflected in the schedule that follows. Administrative costs of the plan are paid for by the Village.

Total Other Postemployment Benefit Liability. The Village's total other postemployment benefit liability was measured as of June 30, 2023, and the total other postemployment liability used to calculate the net other postemployment liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total other postemployment liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.00%
Investment rate of return	3.68%, net of other postemployment benefit plan investment expense, including inflation

Mortality rates used were based on the Pub-2010 Scale MP-2019 Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study for the period November 1, 2022 through June 30, 2023.

For the 8-month period ended June 30, 2023, the Village has determined an estimated cost of providing post-employment benefits through an actuarial valuation as of June 30, 2023. The entry age cost method was used for the actuarial valuation. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed 30 years.

VILLAGE OF BROOKLYN, MICHIGAN

Notes to Financial Statements

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions – Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Discount Rate. The discount rate used to measure the total other postemployment benefit liability as of June 30, 2023 was 3.68%. The projection of cash flows used to determine the discount rate assumes that employer contributions will be made at rates equal to the actuarially determined contributions rates. Based on these assumptions, the other postemployment benefit plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on other postemployment benefit plan investments was applied to all periods of projected benefit payments to determine the total other postemployment benefit liability.

Changes in Total Other Postemployment Benefit Liability

The components of the change in the total other postemployment benefit liability are summarized as follows:

Balance at October 31, 2022	<u>\$ 42,636</u>
Changes for the year:	
Service cost	1,970
Interest	1,627
Differences between expected and actual experience	2,272
Benefit payments and refunds	<u>(2,700)</u>
Net changes	<u>3,169</u>
Balance at June 30, 2023	<u><u>\$ 45,805</u></u>

VILLAGE OF BROOKLYN, MICHIGAN

Notes to Financial Statements

Sensitivity of the Total Other Postemployment Benefit Liability to Changes in the Discount Rate. The following presents the total other postemployment benefit liability of the Village, calculated using the discount rate of 3.68%, as well as what the Village’s total other postemployment benefit liability would be if it were calculated using a discount rate that is 1% lower (2.68%) or 1% higher (4.68%) than the current rate:

1% Decrease (2.68%)	Current Discount Rate (3.68%)	1% Increase (4.68%)
\$ 51,012	\$ 45,805	\$ 41,456

Payable to the Other Postemployment Benefit Plan. At June 30, 2023, the Village had no amounts payable for contributions to the other postemployment benefit plan.

For the governmental activities, the total other postemployment benefit liability is generally liquidated by the general fund.

14. NET INVESTMENT IN CAPITAL ASSETS

Following is a summary of the Village's net investment in capital assets as presented in the government-wide

	Governmental Activities	Business-type Activities	Total
Capital assets:			
Capital assets not being depreciated	\$ 70,000	\$ 36,000	\$ 106,000
Capital assets being depreciated, net	2,235,885	3,147,249	5,383,134
	<u>2,305,885</u>	<u>3,183,249</u>	<u>5,489,134</u>
Long-term liabilities:			
Bonds payable	1,057,000	438,165	1,495,165
Notes from direct borrowings and direct placements	408,219	-	408,219
Less: unspent bond proceeds	(254,517)	-	(254,517)
	<u>1,210,702</u>	<u>438,165</u>	<u>1,648,867</u>
Net investment in capital assets	<u>\$ 1,095,183</u>	<u>\$ 2,745,084</u>	<u>\$ 3,840,267</u>



REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF BROOKLYN, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Changes in Net Pension Liability and Related Ratios

	For the Year	For the Year Ended October 31,		
	Ended June 30,	2022	2021	2020*
	2023**			
Total pension liability				
Service cost	\$ 48,600	\$ 49,669	\$ 43,817	\$ 43,659
Interest on total pension liability	97,563	101,072	94,794	94,545
Difference between expected and actual experience	51,572	(86,742)	6,615	(10,607)
Assumption changes	-	42,418	22,701	30,564
Benefit payments and refunds	(90,444)	(89,751)	(86,744)	(88,887)
Other changes	-	-	(9,884)	-
Net change in total pension liability	107,291	16,666	71,299	69,274
Total pension liability, beginning of year	1,366,603	1,349,937	1,278,638	1,209,364
Total pension liability, end of year	1,473,894	1,366,603	1,349,937	1,278,638
Plan fiduciary net position				
Employer contributions	82,210	73,574	58,422	48,221
Employee contributions	23,499	21,084	18,946	18,535
Net investment income (loss)	(107,947)	128,784	104,122	99,923
Benefit payments, including refunds of employee contributions	(90,444)	(89,751)	(86,744)	(88,887)
Administrative expense	(1,952)	(1,477)	(1,639)	(1,720)
Other	-	-	(9,884)	-
Net change in plan fiduciary net position	(94,634)	132,214	83,223	76,072
Plan fiduciary net position, beginning of year	1,043,415	911,201	827,978	751,906
Plan fiduciary net position, end of year	948,781	1,043,415	911,201	827,978
Net pension liability	\$ 525,113	\$ 323,188	\$ 438,736	\$ 450,660
Plan fiduciary net position as a percentage of total pension liability	64.37%	76.35%	67.50%	64.75%
Covered payroll	\$ 426,688	\$ 443,469	\$ 403,097	\$ 398,715
Net pension liability as a percentage of covered payroll	123.07%	72.88%	108.84%	113.03%

* For the 16-month period ended October 31

** For the 8-month period ended June 30

See notes to required supplementary information.

For the Year Ended June 30,				
2019	2018	2017	2016	2015
\$ 31,727	\$ 38,131	\$ 39,397	\$ 29,498	\$ 28,848
91,294	89,948	87,300	84,322	84,362
9,146	(12,287)	2,282	(43,816)	-
-	-	-	50,694	-
(96,258)	(95,246)	(95,246)	(86,868)	(92,258)
-	(1)	-	2,636	570
<u>35,909</u>	<u>20,545</u>	<u>33,733</u>	<u>36,466</u>	<u>21,522</u>
<u>1,173,455</u>	<u>1,152,910</u>	<u>1,119,177</u>	<u>1,082,711</u>	<u>1,061,189</u>
<u>1,209,364</u>	<u>1,173,455</u>	<u>1,152,910</u>	<u>1,119,177</u>	<u>1,082,711</u>
45,203	49,009	45,258	46,280	42,303
16,746	16,762	14,844	14,003	12,888
(31,093)	97,549	78,758	(11,173)	46,134
(96,258)	(95,246)	(95,246)	(86,868)	(92,258)
(1,563)	(1,547)	(1,556)	(1,620)	(1,682)
-	-	-	-	-
<u>(66,965)</u>	<u>66,527</u>	<u>42,058</u>	<u>(39,378)</u>	<u>7,385</u>
<u>818,871</u>	<u>752,344</u>	<u>710,286</u>	<u>749,664</u>	<u>742,279</u>
<u>751,906</u>	<u>818,871</u>	<u>752,344</u>	<u>710,286</u>	<u>749,664</u>
<u>\$ 457,458</u>	<u>\$ 354,584</u>	<u>\$ 400,566</u>	<u>\$ 408,891</u>	<u>\$ 333,047</u>
62.17%	69.78%	65.26%	63.47%	69.24%
\$ 313,503	\$ 358,037	\$ 343,182	\$ 264,318	\$ 258,498
145.92%	99.04%	116.72%	154.70%	128.84%

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VILLAGE OF BROOKLYN, MICHIGAN

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Contributions

For the Year Ended October 31/June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2023**	\$ 74,820	\$ 51,184	23,636	\$ 300,527	17.03%
2022	70,200	81,385	(11,185)	502,263	16.20%
2021	72,540	74,120	(1,580)	445,960	16.62%
2020*	72,890	72,890	-	550,827	13.23%
2019	45,005	45,005	-	342,848	13.13%
2018	49,009	49,009	-	358,037	13.69%
2017	43,892	45,258	(1,366)	343,182	13.19%
2016	38,297	46,257	(7,960)	264,318	17.50%
2015	42,303	42,303	-	258,498	16.36%

* For the 16-month period ended October 31

** For the 8-month period ended June 30

See notes to required supplementary information.

VILLAGE OF BROOKLYN, MICHIGAN

Required Supplementary Information

Retiree Healthcare Benefits

Schedule of Changes in Total Other Postemployment Benefit Liability and Related Ratios

	For the Year	For the Year Ended October 31,		
	Ended June 30,	2022	2021	2020*
	2023**			
Change in total OPEB liability				
Service cost	\$ 1,970	\$ 3,177	\$ 5,953	\$ 5,137
Interest	1,627	1,771	1,105	1,083
Difference between expected and actual experience	2,272	(24,899)	(484)	19,349
Assumption changes	-	-	-	-
Benefit payments and refunds	(2,700)	(2,400)	(2,400)	(2,400)
Other	-	-	-	-
Net change in total OPEB liability	<u>3,169</u>	<u>(22,351)</u>	<u>4,174</u>	<u>23,169</u>
Total OPEB liability, beginning of year	<u>42,636</u>	<u>64,987</u>	<u>60,813</u>	<u>37,644</u>
Total OPEB liability, end of year	<u>\$ 45,805</u>	<u>\$ 42,636</u>	<u>\$ 64,987</u>	<u>\$ 60,813</u>
Covered payroll	\$ 226,674	\$ 417,911	\$ 396,024	\$ 493,381
Total OPEB liability as a percentage of covered payroll	20.21%	10.20%	16.41%	12.33%

* For the 16-month period ended October 31

** For the 8-month period ended June 30

See notes to required supplementary information.



For the Year Ended June 30,			
2019		2018	
\$	2,801	\$	3,560
	1,273		728
	(469)		-
	2,400		-
	(2,400)		(2,400)
	-		2,404
	<u>3,605</u>		<u>4,292</u>
	<u>34,039</u>		<u>29,747</u>
\$	<u>37,644</u>	\$	<u>34,039</u>
\$	325,225	\$	355,525
	11.57%		9.57%

VILLAGE OF BROOKLYN, MICHIGAN

Required Supplementary Information

Retiree Healthcare Benefits
Schedule of Contributions

For the Year Ended October 31/June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as Percentage of Covered Payroll
2023**	\$ 5,494	\$ 2,700	\$ 2,794	\$ 226,674	1.19%
2022	6,223	2,400	3,823	417,911	0.57%
2021	10,286	2,400	7,886	396,024	0.61%
2020*	10,205	2,400	7,805	493,381	0.49%
2019	5,733	2,400	3,333	325,225	0.74%
2018	2,400	2,400	-	355,525	0.68%

* For the 16-month period ended October 31

** For the 8-month period ended June 30

See notes to required supplementary information.

Village of Brooklyn, Michigan

Notes to Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to the Schedule of Changes in the City's Net Pension Liability and Related Ratios

Changes in assumptions.

In 2016, amounts reported as changes in assumptions resulted primarily from adjustments to the mortality table to reflect longer lifetimes, decreases in the assumed rate of return, and changes in asset smoothing.

In 2020, amounts reported as changes in assumptions resulted primarily from a decrease in the assumed rate of return from 7.75% to 7.35%, and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%.

In 2021, amounts reported as changes in assumptions related to updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates.

In 2022, amounts reported as changes of assumptions resulted from a decrease in the assumed rate of return from 7.35% to 7.00%.

Notes to Schedule of Contributions

Valuation date Actuarially determined contribution rates are calculated as of the December 31 that is 18 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates (2023, based on the 12/31/2020 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	16 years
Asset valuation method	5-year smooth market
Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.35%, net of investment and administrative expense including inflation
Normal retirement age	Age 60

Village of Brooklyn, Michigan

Notes to Required Supplementary Information

Mortality

Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120

Non-disabled retired plan members and beneficiaries mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120

Disabled retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, and 100% of PubNS-2010 Disabled Retiree Tables for ages 18-120

Retiree Healthcare Benefits

GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to the Schedule of Changes in Total Other Postemployment Benefit Liability and Related Ratios

Changes in assumptions.

In 2020, amounts reported as changes of assumptions resulted primarily from a decrease in the assumed rate of return from 3.50% to 1.81%.

Notes to Schedule of Contributions

Valuation date June 30, 2023

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage payroll
Remaining amortization period	13 years
Salary growth rate	3.5%
Investment rate of return	3.684%
Retirement age	65

VILLAGE OF BROOKLYN, MICHIGAN

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2023

	Building Inspection Special Revenue Fund	Street Tax Receiving Special Revenue Fund	2021 Street Bonds Debt Service Fund	Total
Assets				
Cash and cash equivalents	\$ 20,727	\$ 2,864	\$ -	\$ 23,591
Liabilities				
Accounts payable	\$ 1,690	\$ -	\$ -	\$ 1,690
Accrued liabilities	41	-	-	41
Total liabilities	1,731	-	-	1,731
Fund balances				
Restricted	18,996	2,864	-	21,860
Total fund balances	18,996	2,864	-	21,860
Total liabilities and fund balances	\$ 20,727	\$ 2,864	\$ -	\$ 23,591

VILLAGE OF BROOKLYN, MICHIGAN

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the 8-Month Period Ended June 30, 2023

	Building Inspection Special Revenue Fund	Street Tax Receiving Special Revenue Fund	2021 Street Bonds Debt Service Fund	Total
Revenues				
Property taxes	\$ -	\$ 8,016	\$ -	\$ 8,016
Licenses and permits	22,400	-	-	22,400
Interest revenue	15	388	-	403
Total revenues	<u>22,415</u>	<u>8,404</u>	<u>-</u>	<u>30,819</u>
Expenditures				
Current expenditures -				
Public safety	18,407	-	-	18,407
Debt service -				
Principal	-	-	97,000	97,000
Total expenditures	<u>18,407</u>	<u>-</u>	<u>97,000</u>	<u>115,407</u>
Revenues over (under) expenditures	<u>4,008</u>	<u>8,404</u>	<u>(97,000)</u>	<u>(84,588)</u>
Other financing sources				
Transfers in	-	-	97,000	97,000
Net change in fund balances	<u>4,008</u>	<u>8,404</u>	<u>-</u>	<u>12,412</u>
Fund balances (deficit), beginning of year	<u>14,988</u>	<u>(5,540)</u>	<u>-</u>	<u>9,448</u>
Fund balances, end of year	<u>\$ 18,996</u>	<u>\$ 2,864</u>	<u>\$ -</u>	<u>\$ 21,860</u>

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

February 29, 2024

The Members of the Village of
Brooklyn Council
Brooklyn, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the **Village of Brooklyn, Michigan** (the "Village"), as of and for the 8-month period ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents, and have issued our report thereon dated February 29, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, as items 2023-001 and 002 that we consider to be material weaknesses.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Village of Brooklyn's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Villages' response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Villages' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

VILLAGE OF BROOKLYN, MICHIGAN

Schedule of Findings and Responses

For the 8-Month Period Ended June 30, 2023

2023-001 - Reasonably Adjusted Trial Balance (repeat)

Finding Type. Material Weakness in Internal Control over Financial Reporting

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. During our audit, we identified and proposed material adjustments (which were approved and posted by management) to adjust the Village's general ledger to the appropriate balances. Adjustments were required to correct cash, accounts payable, accrued wages, beginning fund balance/net position, amounts due to/from other funds, due from other governments and the related state revenue, capital outlay expenditures, interest expense, and transfers in/out.

Cause. This condition was the result of dependence on external auditors, who by definition cannot be a part of the Village's internal control, to make adjustments to the general ledger and reconcile certain balance sheet accounts to their underlying detail.

Effect. As a result of this condition, the Village did not have cash, accounts payable, accrued wages, beginning fund balance/net position, amounts due to/from other funds, due from other governments and the related state revenue, capital outlay expenditures, interest expense, and transfers in/out properly recorded.

Recommendation. For the current year, no further action is required as the adjustments have been posted. In future periods, we recommend that management implement procedures to ensure that all general ledger accounts are appropriately reconciled and adjusted at year end.

VILLAGE OF BROOKLYN, MICHIGAN

Schedule of Findings and Responses

For the 8-Month Period Ended June 30, 2023

2023-002 - Preparation of Financial Statements in Accordance with GAAP (repeat)

Finding Type. Material Weakness in Internal Control over Financial Reporting

Criteria. The Village is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the Village's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting in the form of financial statements, including the related footnotes and other disclosures (i.e., external financial reporting.)

Condition. As is the case with many smaller and medium-sized entities, the Village has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the Village's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the Village's internal controls.

Cause. This condition was caused by the Village's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Village to perform this task internally.

Effect. As a result of this condition, the Village lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

Recommendation. We recommend that Management continue to evaluate the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP.

View of Responsible Officials. Management has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Village to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

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