



FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021



Vredeveld Haefner LLC
CPAs and Consultants

VILLAGE OF SUTTONS BAY

TABLE OF CONTENTS

FINANCIAL SECTION	<u>PAGE</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10-11
Fund Financial Statements	
Balance Sheet - Governmental Funds	12
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Position of Governmental Activities on the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Net Position - Enterprise Funds	16
Statement of Revenues, Expenses, and Changes in Net Position - Enterprise Funds	17
Statement of Cash Flows - Enterprise Funds	18
Statement of Fiduciary Net Position - Employees Retirement System	19
Statement of Changes in Fiduciary Net Position - Employees Retirement System	20
Notes to the Financial Statements	21-31
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	33
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Major Street Fund	34
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Local Street Fund	35
Individual Fund Financial Statements	
Downtown Development Authority	
Balance Sheet/Statement of Net Position	37
Statements of Revenues, Expenditures and Changes in Fund Balance/ Statements of Activities	38



Vredeveld Haefner LLC

CPAs and Consultants
10302 20th Avenue
Grand Rapids, MI 49534
Fax (616) 828-0307

Douglas J. Vredeveld, CPA
(616) 446-7474
Peter S. Haefner, CPA
(616) 460-9388

INDEPENDENT AUDITORS' REPORT

May 12, 2022

Village Council
Village of Suttons Bay, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Suttons Bay, Michigan, (the Village), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village'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 in 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 on pages 3 through 8 and the information on pages 33 through 35 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Ordebold Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Village of Suttons Bay

Management's Discussion and Analysis

As management of the Village of Suttons Bay (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 year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- Installment loan was paid-off early saving tax payers approximately \$10,000 in interest payments.
- Added two new pumps at wastewater treatment plant.
- Completed paving and bridge repair on Elm Street.
- Completed Wedge pocket park.
- Completed a wellhead protection program plan.
- Installed video camera system at North Park.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Suttons Bay's 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.

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

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

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

Both of the government-wide financial statements distinguish functions of the Village of Suttons Bay that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include legislative, general government, public safety, public works including major and local street construction and maintenance, recreation and culture, and debt service activities. The business-type activities of the Village include sewer, water, and marina services.

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

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

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 four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all funds, each of which is considered a major fund.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Proprietary funds. The Village maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its sewer, water, and marina operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer, water, and marina operations, each of which are considered to be major funds of the Village.

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

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 includes this management discussion and analysis and budget and actual comparisons for major funds.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village of Suttons Bay, assets exceeded liabilities by \$14,440,602 at the close of the most recent fiscal year.

A portion of the Village's net position reflects unrestricted net position which is available for future operations while a significant portion of net position is invested in capital assets (e.g., land, buildings and improvements, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Following is a summary of net position:

Summary of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$1,661,530	\$1,778,382	\$1,703,363	\$1,584,538	\$ 3,364,893	\$ 3,362,920
Capital assets	4,397,337	4,481,789	8,471,099	8,753,949	12,868,436	13,235,738
Total assets	6,058,867	6,260,171	10,174,462	10,338,487	16,233,329	16,598,658
Long-term liabilities	-	265,353	1,685,000	1,850,000	1,685,000	2,115,353
Other liabilities	74,946	200,823	32,781	36,374	107,727	237,197
Total liabilities	74,946	466,176	1,717,781	1,886,374	1,792,727	2,352,550
Net position						
Net investment in capital						
Assets	4,397,337	4,216,436	6,786,099	6,903,949	11,183,436	11,120,385
Restricted	325,588	347,050	-	-	325,588	347,050
Unrestricted	1,260,996	1,230,509	1,670,582	1,548,164	2,931,578	2,778,673
Total net position	\$5,983,921	\$5,793,995	\$8,456,681	\$8,452,113	\$14,440,602	\$14,246,108

Net position of the Village increased by \$194,494. The governmental activities increase in net position of \$189,926 is primarily due to a timing difference between when capital items are purchased and when depreciation is recorded. The business-type activities increase in net position of \$4,568 was primarily the result of rates and charges budgeted to exceed expenses.

Following is a summary of activities:

Summary of Activities

	Governmental Activities		Business-type Activities		Totals	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenue						
Program revenue						
Charges for services	\$ 124,325	\$ 123,310	\$1,344,015	\$1,285,789	\$1,468,340	\$1,409,099
Operating grants and Contributions	195,579	195,450	-	-	195,579	195,450
Capital grants and contributions	-	-	1,250	5,750	1,250	5,750
General revenue						
Property taxes	742,879	727,024	-	-	742,879	727,024
State shared revenues	66,943	57,797	-	-	66,943	57,797
Other	44,345	12,416	10,318	9,412	54,663	21,828
Transfers	8,505	8,505	(8,505)	(8,505)	-	-
Total revenue	1,182,576	1,124,502	1,347,078	1,292,446	2,529,654	2,416,948
Expenses						
Legislative	13,089	31,883	-	-	13,089	31,883
General government	133,826	143,456	-	-	133,826	143,456
Public safety	109,322	112,019	-	-	109,322	112,019
Public works	596,065	668,568	-	-	596,065	668,568
Recreation and culture	131,660	111,731	-	-	131,660	111,731
Interest on long-term debt	8,688	7,827	-	-	8,688	7,827
Sewer	-	-	609,645	555,380	609,645	555,380
Water	-	-	200,378	201,794	200,378	201,794
Marina	-	-	532,487	502,398	532,487	502,398
Total expenses	992,650	1,075,484	1,342,510	1,259,572	2,335,160	2,335,056
Increase in net position	189,926	49,018	4,568	32,874	194,494	81,892
Net position, beginning of year	5,793,995	5,744,977	8,452,113	8,419,239	14,246,108	14,164,216
Net position, end of year	\$5,983,921	\$5,793,995	\$8,456,681	\$8,452,113	\$14,440,602	\$14,246,108

Governmental Activities. During the year the Village invested \$596,065 or 60% of governmental activities expenses in public works which includes major and local street operations while general government, public safety, culture and recreation and interest on long-term debt made up the remaining 40% of governmental activities expenses.

Business-type Activities. Business-type activities, which include, sewer, water, and marina operations, increased the Village's net position by \$4,568 as described previously.

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 \$1,582,038, an increase of \$8,177 in comparison with the prior year. Of the \$1,582,038, \$889,369 is reported in the general fund. The remaining amount of fund balance is reported in various funds as non-spendable, restricted, committed, or assigned for certain uses such as street construction.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the general fund was \$813,903. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 115% of total general fund expenditures and transfers out. Fund balance of the Village's general fund increased by \$132,929, primarily due to slightly increased revenue combined with much lower repair and maintenance expenditures.

At the end of the current fiscal year, fund balance of the major streets special revenue fund was \$193,321, a decrease of \$30,901 primarily due to completion of major road work projects during the year.

At the end of the current fiscal year, fund balance of the local streets special revenue fund was \$132,267, an increase of \$9,439 primarily due to limited projects during the year.

At the end of the current fiscal year, fund balance of the property replacement capital projects fund was \$367,081, a decrease of \$103,290.

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

Unrestricted net position of the sewer, water, and marina funds at the end of the year amounted to \$604,956, \$375,031 and \$690,595, respectively. The sewer fund had a decrease in net position for the year of \$48,082, the water fund had an increase of \$31,522, and the marina fund had an increase of \$21,128. Other factors concerning the finances of these three funds have already been addressed in the discussion of the Village's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Village's investment in capital assets for its governmental and business-type activities as of December 31, 2021, amounted to \$12,868,436 (net of accumulated depreciation).

The Village's capital assets (net of depreciation) are summarized as follows:

Capital Assets			
	Governmental Activities	Business-type Activities	Total
Land	\$1,171,119	\$1,083,886	\$ 2,255,005
Buildings, equipment and infrastructure	3,226,218	7,387,213	10,613,431
Total	\$4,397,337	\$8,471,099	\$12,868,436

Significant additions during the year included major road projects, purchase of generators and a pick-up truck and some minor marina projects. Additional information on the Village of Suttons Bay capital assets can be found in Note 4 of these financial statements.

Debt. At the end of the current fiscal year, the Village had total debt outstanding of \$1,685,000 consisting of a sewer bond and a marina bond. Principle payments of \$430,353 were made during the year including early payoff of the Act 99 loan. Additional information on the Village's long-term debt can be found in Note 5 of these financial statements.

Budgetary Highlights

- The general fund public works department budget was reduced as building maintenance was not done in 2021.
- Major streets budget was increased to reflect major road projects done during the year.
- Local streets budget was reduced to reflect road and sidewalk projects moved to the subsequent year.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Village's budget for the 2022 fiscal year:

- Slight increase in property taxable values is anticipated.
- Anticipate expenditures related to master zoning plan.
- Parks budget reflects installation of water fountains, park signs and a pathway.
- Anticipate additional transfers to major and local streets for street and sidewalk projects.
- Repaving a portion of Lincoln and Grove Streets in 2022.

Requests for Information

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 can be obtained by contacting the Village office at (231) 271-3051.

BASIC FINANCIAL STATEMENTS

VILLAGE OF SUTTONS BAY

STATEMENT OF NET POSITION

DECEMBER 31, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
Assets				
Cash and pooled investments	\$ 1,622,718	\$ 1,622,760	\$ 3,245,478	\$ 38,484
Accounts receivable	6,379	58,793	65,172	4,031
Due from other governments	32,433	-	32,433	-
Inventory	-	20,252	20,252	-
Prepaid items	-	1,558	1,558	-
Capital assets				
Land	1,171,119	1,083,886	2,255,005	-
Depreciable capital assets, net	3,226,218	7,387,213	10,613,431	-
Total assets	<u>6,058,867</u>	<u>10,174,462</u>	<u>16,233,329</u>	<u>42,515</u>
Liabilities				
Accounts payable	36,105	7,957	44,062	18
Accrued liabilities	6,795	24,824	31,619	133
Unearned revenue	32,046	-	32,046	-
Debt due within one year	-	165,000	165,000	-
Noncurrent liabilities				
Debt due in more than one year	-	1,520,000	1,520,000	-
Total liabilities	<u>74,946</u>	<u>1,717,781</u>	<u>1,792,727</u>	<u>151</u>
Net position				
Net investment in capital assets	4,397,337	6,786,099	11,183,436	-
Restricted for				
Major streets	193,321	-	193,321	-
Local streets	132,267	-	132,267	-
Unrestricted	1,260,996	1,670,582	2,931,578	42,364
Total net position	<u>\$ 5,983,921</u>	<u>\$ 8,456,681</u>	<u>\$ 14,440,602</u>	<u>\$ 42,364</u>

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

VILLAGE OF SUTTONS BAY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary government				
Governmental activities				
Legislative	\$ 13,089	\$ -	\$ -	\$ (13,089)
General government	133,826	-	12,481	(121,345)
Public safety	109,322	-	-	(109,322)
Public works	596,065	124,325	183,098	(288,642)
Recreation and culture	131,660	-	-	(131,660)
Interest on long-term debt	8,688	-	-	(8,688)
Total governmental activities	992,650	124,325	195,579	(672,746)
Business-type activities				
Sewer	609,645	558,781	-	(49,614)
Water	200,378	229,371	-	28,993
Marina	532,487	555,863	-	23,376
Total business-type activities	1,342,510	1,344,015	-	2,755
Total primary government	\$ 2,335,160	\$ 1,468,340	\$ 195,579	\$ (669,991)
Component unit				
Downtown Development Authority	\$ 4,070	\$ -	\$ -	\$ (4,070)

(Continued)

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

VILLAGE OF SUTTONS BAY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Changes in net assets				
Net (expense) revenue	\$ (672,746)	\$ 2,755	\$ (669,991)	\$ (4,070)
General revenues				
Property taxes	742,879	-	742,879	18,098
State shared revenues	66,943	-	66,943	-
Interest and rentals	619	665	1,284	7
Other revenue	43,726	9,653	53,379	1,713
Transfers - internal activities	<u>8,505</u>	<u>(8,505)</u>	<u>-</u>	<u>-</u>
Total general revenues	<u>862,672</u>	<u>1,813</u>	<u>864,485</u>	<u>19,818</u>
Change in net position	189,926	4,568	194,494	15,748
Net position, beginning of year	<u>5,793,995</u>	<u>8,452,113</u>	<u>14,246,108</u>	<u>26,616</u>
Net position, end of year	<u>\$ 5,983,921</u>	<u>\$ 8,456,681</u>	<u>\$ 14,440,602</u>	<u>\$ 42,364</u>

(Concluded)

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

VILLAGE OF SUTTONS BAY

**GOVERNMENTAL FUNDS
BALANCE SHEET**

DECEMBER 31, 2021

	<u>Special Revenue</u>			<u>Capital Projects</u>	<u>Total</u>
	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Property Replacement</u>	
Assets					
Cash and pooled investments	\$ 911,635	\$ 215,158	\$ 128,844	\$ 367,081	\$ 1,622,718
Accounts receivable	6,379	-	-	-	6,379
Due from other governments	12,678	13,174	6,581	-	32,433
Total assets	<u>\$ 930,692</u>	<u>\$ 228,332</u>	<u>\$ 135,425</u>	<u>\$ 367,081</u>	<u>\$ 1,661,530</u>
Liabilities, deferred inflows of resources, and fund balances					
Liabilities					
Accounts payable	\$ 33,289	\$ 861	\$ 1,955	\$ -	\$ 36,105
Accrued liabilities	4,336	1,256	1,203	-	6,795
Unearned revenue	-	32,894	-	-	32,894
Total liabilities	<u>37,625</u>	<u>35,011</u>	<u>3,158</u>	<u>-</u>	<u>75,794</u>
Deferred inflows of resources					
Unavailable revenue	3,698	-	-	-	3,698
Fund balances					
Restricted					
Streets	-	193,321	132,267	-	325,588
Assigned					
Capital projects	-	-	-	367,081	367,081
Subsequent year expenditures	75,466	-	-	-	75,466
Unassigned	813,903	-	-	-	813,903
Total fund balances	<u>889,369</u>	<u>193,321</u>	<u>132,267</u>	<u>367,081</u>	<u>1,582,038</u>
Total liabilities, deferred infows, and fund balances	<u>\$ 930,692</u>	<u>\$ 228,332</u>	<u>\$ 135,425</u>	<u>\$ 367,081</u>	<u>\$ 1,661,530</u>

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

VILLAGE OF SUTTONS BAY

**RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET POSITION OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION**

DECEMBER 31, 2021

Fund balances - total governmental funds	\$ 1,582,038
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - land	1,171,119
Add - capital assets (net of accumulated depreciation)	3,226,218
Certain assets are not due and receivable in the current period and therefore are offset with unavailable revenue in the funds.	
Add - personal property taxes unavailable revenue	<u>4,546</u>
Net position of governmental activities	<u>\$ 5,983,921</u>

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

VILLAGE OF SUTTONS BAY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Special Revenue</u>			<u>Capital Projects</u>	<u>Total</u>
	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Property Replacement</u>	
Revenues					
Taxes and penalties	\$ 742,031	\$ -	\$ -	\$ -	\$ 742,031
Intergovernmental revenues					
State	79,424	90,098	53,373	-	222,895
Local	-	35,828	-	-	35,828
Licenses and permits	17,850	-	-	-	17,850
Charges for services	500	-	-	-	500
Interest and rentals	415	173	103	204	895
Miscellaneous	1,872	41,854	3,523	-	47,249
Total revenues	<u>842,092</u>	<u>167,953</u>	<u>56,999</u>	<u>204</u>	<u>1,067,248</u>
Expenditures					
Current					
Legislative	13,089	-	-	-	13,089
General government	100,437	-	-	-	100,437
Public safety	83,249	-	-	-	83,249
Public works	114,832	265,999	104,705	-	485,536
Recreation and culture	105,656	-	-	-	105,656
Debt service					
Principal	-	-	-	265,353	265,353
Interest	-	-	-	8,688	8,688
Capital outlay	-	-	-	5,568	5,568
Total expenditures	<u>417,263</u>	<u>265,999</u>	<u>104,705</u>	<u>279,609</u>	<u>1,067,576</u>
Revenues over (under) expenditures	<u>424,829</u>	<u>(98,046)</u>	<u>(47,706)</u>	<u>(279,405)</u>	<u>(328)</u>
Other financing sources (uses)					
Transfers in	-	70,000	60,000	176,115	306,115
Transfers out	(291,900)	(2,855)	(2,855)	-	(297,610)
Total other financing sources (uses)	<u>(291,900)</u>	<u>67,145</u>	<u>57,145</u>	<u>176,115</u>	<u>8,505</u>
Net changes in fund balances	132,929	(30,901)	9,439	(103,290)	8,177
Fund balances, beginning of year	<u>756,440</u>	<u>224,222</u>	<u>122,828</u>	<u>470,371</u>	<u>1,573,861</u>
Fund balances, end of year	<u>\$ 889,369</u>	<u>\$ 193,321</u>	<u>\$ 132,267</u>	<u>\$ 367,081</u>	<u>\$ 1,582,038</u>

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

VILLAGE OF SUTTONS BAY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

Net changes in fund balances - total governmental funds	\$ 8,177
Amounts reported for <i>governmental activities</i> 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 are allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital outlay	174,897
Deduct - depreciation expense	(259,349)
Some receivables are long-term in nature and are collectable over several years. They are recognized when issued in the government-wide financial statements, however they are reflected as unavailable revenue on the fund statements.	
Add - increase in long-term receivables	848
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Add - principal payments on long-term debt	<u>265,353</u>
Change in net position of governmental activities	<u>\$ 189,926</u>

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

VILLAGE OF SUTTONS BAY

ENTERPRISE FUNDS STATEMENT OF NET POSITION

DECEMBER 31, 2021

	<u>Sewer</u>	<u>Water</u>	<u>Marina</u>	<u>Total</u>
Assets				
Current assets				
Cash and pooled investments	\$ 573,281	\$ 339,559	\$ 709,920	\$ 1,622,760
Accounts receivable	39,298	18,952	543	58,793
Inventory	-	20,252	-	20,252
Prepaid items	779	779	-	1,558
	<u>613,358</u>	<u>379,542</u>	<u>710,463</u>	<u>1,703,363</u>
Total current assets				
Noncurrent assets				
Land	-	-	1,083,886	1,083,886
Capital assets, net	4,871,157	780,506	1,735,550	7,387,213
	<u>4,871,157</u>	<u>780,506</u>	<u>2,819,436</u>	<u>8,471,099</u>
Net noncurrent assets				
Total assets	<u>5,484,515</u>	<u>1,160,048</u>	<u>3,529,899</u>	<u>10,174,462</u>
Liabilities				
Current liabilities				
Accounts payable	5,263	2,584	110	7,957
Accrued liabilities	3,139	1,927	19,758	24,824
Current portion of long-term debt	120,000	-	45,000	165,000
	<u>128,402</u>	<u>4,511</u>	<u>64,868</u>	<u>197,781</u>
Total current liabilities				
Long-term liabilities				
Bonds payable, net of current portion	500,000	-	1,020,000	1,520,000
	<u>500,000</u>	<u>-</u>	<u>1,020,000</u>	<u>1,520,000</u>
Total liabilities	<u>628,402</u>	<u>4,511</u>	<u>1,084,868</u>	<u>1,717,781</u>
Net position				
Net investment in capital assets	4,251,157	780,506	1,754,436	6,786,099
Unrestricted	604,956	375,031	690,595	1,670,582
	<u>4,856,113</u>	<u>1,155,537</u>	<u>2,445,031</u>	<u>8,456,681</u>
Total net position	<u>\$ 4,856,113</u>	<u>\$ 1,155,537</u>	<u>\$ 2,445,031</u>	<u>\$ 8,456,681</u>

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

VILLAGE OF SUTTONS BAY

ENTERPRISE FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Sewer</u>	<u>Water</u>	<u>Marina</u>	<u>Total</u>
Operating revenue				
Charges for services	\$ 558,781	\$ 229,371	\$ 555,863	\$ 1,344,015
Other	-	9,291	362	9,653
Total operating revenue	<u>558,781</u>	<u>238,662</u>	<u>556,225</u>	<u>1,353,668</u>
Operating expense				
Operations and maintenance	382,309	115,139	321,295	818,743
Administration	53,493	51,186	39,314	143,993
Depreciation	161,818	34,053	130,956	326,827
Total operating expense	<u>597,620</u>	<u>200,378</u>	<u>491,565</u>	<u>1,289,563</u>
Operating income (loss)	<u>(38,839)</u>	<u>38,284</u>	<u>64,660</u>	<u>64,105</u>
Non-operating revenue (expense)				
State grants	1,250	-	-	1,250
Interest income	257	163	245	665
Interest expense	(12,025)	-	(40,922)	(52,947)
Total non-operating revenue (expense)	<u>(10,518)</u>	<u>163</u>	<u>(40,677)</u>	<u>(51,032)</u>
Income (loss) before transfers	<u>(49,357)</u>	<u>38,447</u>	<u>23,983</u>	<u>13,073</u>
Transfers				
Transfers in	15,000	6,800	-	21,800
Transfers out	(13,725)	(13,725)	(2,855)	(30,305)
Total transfers	<u>1,275</u>	<u>(6,925)</u>	<u>(2,855)</u>	<u>(8,505)</u>
Changes in net position	(48,082)	31,522	21,128	4,568
Net position, beginning of year	<u>4,904,195</u>	<u>1,124,015</u>	<u>2,423,903</u>	<u>8,452,113</u>
Net position, end of year	<u>\$ 4,856,113</u>	<u>\$ 1,155,537</u>	<u>\$ 2,445,031</u>	<u>\$ 8,456,681</u>

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

VILLAGE OF SUTTONS BAY

ENTERPRISE FUNDS STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Sewer</u>	<u>Water</u>	<u>Marina</u>	<u>Total</u>
Cash flows from operating activities				
Receipts from customers and users	\$ 561,230	\$ 232,928	\$ 555,854	\$ 1,350,012
Payments to employees	(115,618)	(110,678)	(166,955)	(393,251)
Payments to suppliers	(318,459)	(74,096)	(194,875)	(587,430)
Net cash provided by (used in) operating activities	<u>127,153</u>	<u>48,154</u>	<u>194,024</u>	<u>369,331</u>
Cash flows from non-capital financing activities				
Transfers in	15,000	6,800	-	21,800
Transfers out	(13,725)	(13,725)	(2,855)	(30,305)
Net cash provided by (used in) non-capital financing activities	<u>1,275</u>	<u>(6,925)</u>	<u>(2,855)</u>	<u>(8,505)</u>
Cash flows from capital and related financing activities				
Interest paid	(12,025)	-	(40,922)	(52,947)
Principal paid on bonds	(120,000)	-	(45,000)	(165,000)
State grant	1,250	-	-	1,250
Acquisitions of capital assets	(26,560)	-	(17,418)	(43,978)
Net cash provided by (used in) capital and related financing activities	<u>(157,335)</u>	<u>-</u>	<u>(103,340)</u>	<u>(260,675)</u>
Cash flows from investing activities				
Interest income	257	163	245	665
Net increase (decrease) in cash and pooled investments	(28,650)	41,392	88,074	100,816
Cash and pooled investments, beginning of year	<u>601,931</u>	<u>298,167</u>	<u>621,846</u>	<u>1,521,944</u>
Cash and pooled investments, end of year	<u>\$ 573,281</u>	<u>\$ 339,559</u>	<u>\$ 709,920</u>	<u>\$ 1,622,760</u>
Cash flows from operating activities				
Operating income (loss)	\$ (38,839)	\$ 38,284	\$ 64,660	\$ 64,105
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	161,818	34,053	130,956	326,827
Changes in operating assets and liabilities which provided (used) cash				
Accounts receivable	2,449	(5,734)	(371)	(3,656)
Inventory	-	(12,795)	-	(12,795)
Prepaid items	(779)	(778)	-	(1,557)
Accounts payable	2,133	(4,998)	(635)	(3,500)
Accrued liabilities	371	122	(586)	(93)
Net cash provided by (used in) operating activities	<u>\$ 127,153</u>	<u>\$ 48,154</u>	<u>\$ 194,024</u>	<u>\$ 369,331</u>

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

VILLAGE OF SUTTONS BAY
EMPLOYEES RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2021

	Pension Trust
Assets	
Money market funds	\$ 41,610
Investments	
Bond mutual funds	80,622
Other mutual funds	<u>567,341</u>
Total assets	689,573
 Liabilities	
Accounts payable	<u>-</u>
 Net position	
Net position held in trust for pension benefits	<u>\$ 689,573</u>

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

VILLAGE OF SUTTONS BAY
EMPLOYEES RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021

	Pension Trust
Additions	
Contributions:	
Employer	\$ 46,367
Employee	7,815
Investment income (loss)	<u>77,368</u>
Total additions	131,550
Deductions	
Commissions and fees	<u>1,886</u>
Net increase (decrease)	129,664
Net position, beginning of year	<u>559,909</u>
Net position, end of year	<u>\$ 689,573</u>

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

VILLAGE OF SUTTONS BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Suttons Bay, Michigan (the "Village") was incorporated October 11, 1898, and covers an area of approximately 1.2 square miles. The Village operates under an elected Village Council of 7 members and provides services to its more than 600 residents in many areas including marina, water and sewer services, community enrichment and development, and human services.

The accounting policies of the Village conform to generally accepted accounting principles (GAAP) as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

As required by GAAP, these financial statements present the reporting entity of the Village. The criteria identified by GAAP, including financial accountability, have been utilized in identifying the Council's reporting entity which includes a component unit.

Discretely Presented Component Unit

The Village established a Downtown Development Authority (DDA) in 2014 to complete various projects in the downtown district. Funding for these projects will be provided through captured property taxes from various units of government. The members of the governing boards of the DDA are appointed by the Village Council. The budgets of the DDA must be approved by the Village Council, and the Village has the ability to significantly influence its operations. Financial statements are not separately issued for the DDA. This entity is reported in a separate column in the Village's financial statements to emphasize that it is legally separate from the Village.

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. 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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.

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. Revenues are recorded when earned and expenses are recorded when liability is incurred,

VILLAGE OF SUTTONS BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period except grant revenues which are recognized when grant requirements are met, state shared revenue is recognized in the month in which taxes are collected, and interest revenue which is recorded when earned. 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, state revenue, grant revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

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 for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Village reports the following major governmental funds:

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

The *Major Streets Fund* is used to account for the proceeds of State Act 51 revenue that is legally restricted to expenditures for major streets within the Village.

The *Local Streets Fund* is used to account for the proceeds of State Act 51 revenue that is legally restricted to expenditures for local streets within the Village.

The *Property Replacement Capital Projects Fund* accounts for the accumulation and disbursement of resources for the construction of specific capital projects within the Village.

The Village reports the following major proprietary funds:

The *Sewer Enterprise Fund* is used to account for the operations of the Village's sewer department that provides sewer services to most residents of the Village on a user charge basis.

The *Water Enterprise Fund* is used to account for the operations of the Village's water department that provides water services to most residents of the Village on a user charge basis.

The *Marina Enterprise Fund* is used to account for seasonal and transient dock rental and the Village owned municipal marina.

VILLAGE OF SUTTONS BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

Additionally, the Village reports the following fund type:

The *Pension Trust Fund* is used to account for assets held in a trustee capacity on behalf of its employees.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Budgets and Budgetary Accounting

Comparisons to budget are presented for General and Special Revenue Funds. The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to December 1, the Village Manager submits to the Village Council a proposed operating budget for the fiscal year commencing the following January 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all funds except trust funds.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the Village are governed by Public Act 621. The appropriations ordinances are based on the projected expenditures budget of the department heads of the Village. Any amendment to the original budget must meet the requirements of Public Act 621. The Village amended its budget for the year. Any revisions that alter the total expenditures of any activity must be approved by the Village Council.

Budgets for expenditures are adopted on an activity basis. Budgeted amounts are as originally adopted and amended by the Village Council.

Cash and Pooled Investments

The Village's cash and pooled investments are considered to be cash and cash equivalents because the balances are readily available similar to demand deposits. All investments are recorded at fair value.

Investment Statutory Authority

State statutes authorize the Village to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. 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.
- d. Bankers' acceptances of United States banks.

VILLAGE OF SUTTONS BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

- e. 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.
- f. 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.
- g. External investment pools as authorized by Public Act 20 as amended.

The Village retirement system is also allowed to invest in corporate debt and equity securities.

Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements using the consumption method.

Inventory

Inventory is valued at the lower of cost or market, on the first in/first out basis using the consumption method.

Capital Assets

Capital assets, which include property, buildings, infrastructure, and equipment, are reported in the governmental and business-type activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) on the date received.

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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure), is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	25-50
Equipment	5-20
Vehicles	5-10
System Infrastructure	20-50

Unearned revenue

Unearned revenue consists of amounts received from funding sources prior to expenditure. The amounts will be recognized as revenue as the related expenditures are incurred.

VILLAGE OF SUTTONS BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Village has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from delinquent personal property taxes receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the 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. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts received on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures/expense regardless of function or activity.

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

1. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted - the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed - the related assets can only be spent for a specific purpose identified by formal resolution of the governing board.
4. Assigned - the related assets can only be spent for a specific purpose identified by management as authorized by the governing board.
5. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

Fund Balance can only be committed or assigned by the Village Council.

VILLAGE OF SUTTONS BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

Net Position and Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resource as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Property Taxes

Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 15. Real property taxes not collected as of September 15 are turned over to the County for collection, which advances the Village 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Village Treasurer. Property taxes levied in July of each year are recognized as revenue in that year.

Grants and Other Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2021, the Village carried commercial insurance to cover risks of losses. The Village has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgeted funds have been shown at the activity level. The same level at which the budgets of the Village were adopted. During the year ended December 31, 2021, the Village did not incur expenditures in excess of the amounts appropriated.

VILLAGE OF SUTTONS BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

3. DEPOSITS AND INVESTMENTS

Cash and pooled investments consist of the following at December 31, 2021:

Deposits	\$ 944,655
Investments	2,338,976
Investments held for pension benefits	689,573
Petty cash	331
	<u>331</u>
	<u>\$3,973,535</u>

These deposits are in financial institutions located in Michigan. State policy limits the Treasurer's investing options to financial institutions located in Michigan (with specific exceptions). All accounts are in the name of the Village and a specific fund or common account. They are recorded in Village records at fair value.

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. As of year-end, \$438,157 of the Village's bank balance of \$957,170 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The Village categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Village has the following recurring fair value measurements as of year-end.

- The Village does not have any investments that report fair value using quoted market prices (Level 1 inputs).
- The Village investments are valued using a pricing model utilizing observable fair value measures of fund investments and other observable inputs to determine the fair value of the securities making up the of investments fund (Level 2 inputs).
- The Village does not have any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

VILLAGE OF SUTTONS BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

The Village chooses to disclose its investments by specifically identifying each. As of year-end, the Village had the following investments:

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
MI Class Investment Pool	N/A	<u>\$2,338,976</u>	AAAm	S&P
Pension Investments:				
Lord Abbett Funds				
Affiliated A	N/A	103,725	3	Morning Star
Bond Debenture A	N/A	73,479	5	Morning Star
Dividend Growth A	N/A	3,244	3	Morning Star
Multi-asset Balanced Strategy A	N/A	119,634	2	Morning Star
Floating Rate A	N/A	1,465	3	Morning Star
Growth Opportunities A	N/A	118,317	3	Morning Star
Core Fixed Income A	N/A	6,355	3	Morning Star
Fundamental Equity A	N/A	93,016	3	Morning Star
Total Return A	N/A	11,181	3	Morning Star
Value Opportunities A	N/A	13,847	3	Morning Star
Growth Leaders A	N/A	8,527	4	Morning Star
Multi-Asset Income A	N/A	3,521	3	Morning Star
Fundamental Equity F	N/A	20,084	3	Morning Star
Multi-Asset Balanced Opp R6	N/A	33,892	2	Morning Star
Dividend Growth R6	N/A	2,509	3	Morning Star
Fundamental Equity R6	N/A	12,956	3	Morning Star
Bond Debenture R6	N/A	7,143	5	Morning Star
Core Fixed Income R6	N/A	3,987	3	Morning Star
Short Duration Income R6	N/A	925	4	Morning Star
Growth Leaders R6	N/A	2,042	5	Morning Star
Growth Opportunities R6	N/A	5,188	3	Morning Star
Floating Rate R6	N/A	2,216	2	Morning Star
Total Return R6	N/A	710	3	Morning Star
Money market funds	N/A	<u>41,610</u>	N/A	
Total pension investments		<u>689,573</u>		
Total investments		<u>\$3,028,549</u>		

Investment risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. 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 maturity date for each investment is identified above for investments with a specific maturity.

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 qualified external investment pools as identified in Note 1 of the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment, where applicable, is identified above for investments held at year-end.

VILLAGE OF SUTTONS BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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 above investments of \$3,028,549 are invested in mutual funds. The Village's custodial credit risk exposure cannot be determined because the mutual funds do not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1 of the summary of significant accounting policies. The Village's investment policy does not have specific limits in excess of state law on concentration of credit risk

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance January 1, 2021	Additions	Deletions	Balance December 31, 2021
Governmental Activities				
Capital assets, not being depreciated				
Land	\$1,171,119	\$ -	\$ -	\$1,171,119
Construction in progress	-	-	-	-
	<u>1,171,119</u>	<u>-</u>	<u>-</u>	<u>1,171,119</u>
Capital assets, being depreciated				
Building and improvements	4,962,622	165,608	-	5,128,230
Vehicles and equipment	945,213	9,289	-	954,502
Total capital assets, being depreciated	<u>5,907,835</u>	<u>174,897</u>	<u>-</u>	<u>6,082,732</u>
Less accumulated depreciation				
Building and improvements	1,786,182	225,205	-	2,011,387
Vehicles and equipment	810,983	34,144	-	845,127
Total accumulated depreciation	<u>2,597,165</u>	<u>259,349</u>	<u>-</u>	<u>2,856,514</u>
Net capital assets, being depreciated	<u>3,310,670</u>	<u>(84,452)</u>	<u>-</u>	<u>3,226,218</u>
Governmental Activities capital assets, net	<u>\$4,481,789</u>	<u>\$(84,452)</u>	<u>\$ -</u>	<u>\$4,397,337</u>
Business-type Activities				
Capital assets, not being depreciated				
Land	\$1,083,886	\$ -	\$ -	\$1,083,886
Construction in progress	-	-	-	-
	<u>1,083,886</u>	<u>-</u>	<u>-</u>	<u>1,083,886</u>
Capital assets, being depreciated				
Mains and equipment	9,385,064	43,978	-	9,429,042
Buildings	161,259	-	-	161,259
Seawall and docks	2,886,845	-	-	2,886,845
Total capital assets, being depreciated	<u>12,433,168</u>	<u>43,978</u>	<u>-</u>	<u>12,477,146</u>
Less accumulated depreciation				
Mains and equipment	3,556,222	198,838	-	3,755,060
Buildings	128,634	1,977	-	130,611
Seawall and docks	1,078,250	126,012	-	1,204,262
Total accumulated depreciation	<u>4,763,106</u>	<u>326,827</u>	<u>-</u>	<u>5,089,933</u>
Net capital assets, being depreciated	<u>7,670,062</u>	<u>(282,849)</u>	<u>-</u>	<u>7,387,213</u>
Business-type Activities capital assets, net	<u>\$8,753,948</u>	<u>\$(282,849)</u>	<u>\$ -</u>	<u>\$8,471,099</u>

VILLAGE OF SUTTONS BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Governmental Activities	
General government	\$ 35,920
Public safety	28,049
Public works	167,404
Culture and recreation	<u>27,976</u>
Total depreciation expense, governmental activities	<u>\$259,349</u>
Business-type Activities	
Sewer	\$161,818
Water	34,053
Marina	<u>130,956</u>
Total depreciation expense, business-type activities	<u>\$326,827</u>

5. LONG-TERM DEBT

The following is a summary of the debt transactions of the Village for the year ended December 31, 2021.

	<u>Balance January 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2021</u>	<u>Due Within One Year</u>
Governmental Activities					
2015 Act 99 Loan, payable in annual installments of \$44,650 to \$55,713 through 2025, plus interest at 2.49%	\$ 265,353	\$ -	\$265,353	\$ -	\$ -
Business-type Activities					
2005 State Revolving Fund Loan, payable in annual installments of \$100,000 to \$130,000 through 2026, plus interest at 1.625%	\$ 740,000	\$ -	\$120,000	\$ 620,000	\$120,000
2018 Limited Tax General Obligation Bonds, payable in annual installments of \$45,000 to \$85,000 through 2038, plus interest at 3.750%	1,110,000	-	45,000	1,065,000	45,000
Total Business-type Activities	<u>\$1,850,000</u>	<u>\$ -</u>	<u>\$165,000</u>	<u>\$1,685,000</u>	<u>\$165,000</u>

VILLAGE OF SUTTONS BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

The annual requirements to amortize all debt outstanding as of December 31, 2021 are as follows:

<u>Year Ending December 31</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 165,000	\$ 50,012
2023	170,000	46,375
2024	175,000	42,550
2025	175,000	38,644
2026	185,000	34,737
2027-2031	295,000	131,626
2032-2036	355,000	71,812
2037-2039	165,000	9,375
Total	\$1,685,000	\$425,131

6. INTERFUND TRANSACTIONS

Transfers in and out for the year ended December 31, 2021 are as follows:

	<u>Transfers out</u>						<u>Total</u>
	<u>General fund</u>	<u>Major streets</u>	<u>Local Streets</u>	<u>Sewer fund</u>	<u>Water fund</u>	<u>Marina fund</u>	
Transfers in:							
Major streets fund	\$ 70,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,000
Local streets fund	60,000	-	-	-	-	-	60,000
Property replacement fund	140,100	2,855	2,855	13,725	13,725	2,855	176,115
Sewer fund	15,000	-	-	-	-	-	15,000
Water fund	6,800	-	-	-	-	-	6,800
	\$291,900	\$2,855	\$2,855	\$13,725	\$13,725	\$2,855	\$327,915

Transfers are used to contribute budgeted amounts to the capital improvements fund and move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

7. DEFINED CONTRIBUTION PLAN

The Village provides retirement benefits to substantially all full-time employees through a self-administered defined contribution pension plan. Employer contributions are equal to 10% of annual payroll for eligible employees. Employees are vested 20% per year and fully vested after five years of service. Employees may also elect to contribute a portion of their salary to the plan.

Employer and employee contributions to the plan for the year ended December 31, 2021 amounted to \$46,367 and \$7,815, respectively.

(This page left intentionally blank)

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF SUTTONS BAY

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes and penalties	\$ 714,000	\$ 731,000	\$ 742,031	\$ 11,031
Intergovernmental revenues				
State	57,250	62,999	79,424	16,425
Licenses and permits	1,500	14,125	17,850	3,725
Charges for services	1,200	1,200	500	(700)
Interest and rentals	2,800	800	415	(385)
Miscellaneous	-	-	1,872	1,872
Total revenues	<u>776,750</u>	<u>810,124</u>	<u>842,092</u>	<u>31,968</u>
Expenditures				
Current				
Legislative-Village Council	<u>26,080</u>	<u>20,780</u>	<u>13,089</u>	<u>7,691</u>
General government				
Village manager	32,599	32,609	30,317	2,292
Clerk	10,774	9,224	8,410	814
Treasurer	23,950	21,250	19,643	1,607
Village hall	50,190	55,590	42,067	13,523
Total general government	<u>117,513</u>	<u>118,673</u>	<u>100,437</u>	<u>18,236</u>
Public safety	<u>85,000</u>	<u>85,000</u>	<u>83,249</u>	<u>1,751</u>
Public works				
Department of public works	114,275	95,575	89,825	5,750
Zoning and planning	52,939	44,813	37,921	6,892
Street lighting	13,500	14,500	12,373	2,127
Motor pool	93,419	92,419	80,688	11,731
Motor vehicle leases	(108,975)	(108,975)	(105,975)	(3,000)
Total public works	<u>165,158</u>	<u>138,332</u>	<u>114,832</u>	<u>23,500</u>
Culture and recreation	<u>105,695</u>	<u>107,895</u>	<u>105,656</u>	<u>2,239</u>
Total expenditures	<u>499,446</u>	<u>470,680</u>	<u>417,263</u>	<u>53,417</u>
Revenues over (under) expenditures	277,304	339,444	424,829	85,385
Other financing sources (uses)				
Transfers out	(291,900)	(291,900)	(291,900)	-
Net changes in fund balance	(14,596)	47,544	132,929	85,385
Fund balance, beginning of year	<u>756,440</u>	<u>756,440</u>	<u>756,440</u>	<u>-</u>
Fund balance, end of year	<u>\$ 741,844</u>	<u>\$ 803,984</u>	<u>\$ 889,369</u>	<u>\$ 85,385</u>

VILLAGE OF SUTTONS BAY

MAJOR STREETS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2021

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues				
Federal	\$ -	\$ 32,000	\$ -	\$ (32,000)
State	77,000	85,000	90,098	5,098
Local	31,000	32,500	35,828	3,328
Interest and rentals	500	500	173	(327)
Total revenues	<u>108,500</u>	<u>200,990</u>	<u>167,953</u>	<u>(33,037)</u>
Expenditures				
Public works				
Routine maintenance	63,681	64,481	50,058	14,423
Winter maintenance	53,726	53,726	53,726	-
Sidewalk improvements	5,000	5,000	-	5,000
Contracted services	12,500	11,700	11,161	539
Construction	101,500	282,935	151,054	131,881
Total expenditures	<u>236,407</u>	<u>417,842</u>	<u>265,999</u>	<u>151,843</u>
Revenues over (under) expenditures	<u>(127,907)</u>	<u>(216,852)</u>	<u>(98,046)</u>	<u>118,806</u>
Other financing sources (uses)				
Transfers in	70,000	70,000	70,000	-
Transfers out	(2,855)	(2,855)	(2,855)	-
Total other financing sources (uses)	<u>67,145</u>	<u>67,145</u>	<u>67,145</u>	<u>-</u>
Net changes in fund balances	(60,762)	(149,707)	(30,901)	118,806
Fund balances, beginning of year	<u>224,222</u>	<u>224,222</u>	<u>224,222</u>	<u>-</u>
Fund balances, end of year	<u>\$ 163,460</u>	<u>\$ 74,515</u>	<u>\$ 193,321</u>	<u>\$ 118,806</u>

VILLAGE OF SUTTONS BAY

LOCAL STREETS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 42,000	\$ 46,000	\$ 53,373	\$ 7,373
Interest and rentals	500	100	103	3
Miscellaneous	-	-	3,523	3,523
Total revenues	<u>42,500</u>	<u>46,100</u>	<u>56,999</u>	<u>10,899</u>
Expenditures				
Public works				
Routine maintenance	51,331	53,831	40,982	12,849
Winter maintenance	51,194	51,194	51,194	-
Sidewalk improvements	5,000	5,400	-	5,400
Contracted services	8,500	9,500	8,529	971
Construction	40,000	6,000	4,000	2,000
Total expenditures	<u>156,025</u>	<u>125,925</u>	<u>104,705</u>	<u>21,220</u>
Revenues over (under) expenditures	<u>(113,525)</u>	<u>(79,825)</u>	<u>(47,706)</u>	<u>32,119</u>
Other financing sources (uses)				
Transfers in	60,000	60,000	60,000	-
Transfers out	(2,855)	(2,855)	(2,855)	-
Total other financing sources (uses)	<u>57,145</u>	<u>57,145</u>	<u>57,145</u>	<u>-</u>
Net changes in fund balances	(56,380)	(22,680)	9,439	32,119
Fund balances, beginning of year	<u>122,828</u>	<u>122,828</u>	<u>122,828</u>	<u>-</u>
Fund balances, end of year	<u>\$ 66,448</u>	<u>\$ 100,148</u>	<u>\$ 132,267</u>	<u>\$ 32,119</u>

(This page left intentionally blank)

**INDIVIDUAL FUND
FINANCIAL STATEMENTS**

VILLAGE OF SUTTONS BAY

DOWNTOWN DEVELOPMENT AUTHORITY BALANCE SHEET/STATEMENT OF NET POSITION

DECEMBER 31, 2021

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Cash and pooled investments	\$ 38,484	\$ -	\$ 38,484
Total assets	42,515	-	42,515
Liabilities and fund balances			
Liabilities			
Accounts payable	18	-	18
Accrued liabilities	133	-	133
Total liabilities	151	-	151
Fund balances			
Unassigned	42,364	(42,364)	
Total fund balance	42,364	(42,364)	
Total liabilities and fund balances	\$ 42,515		
Net position			
Net investment in capital assets			
Unrestricted		\$ 42,364	\$ 42,364

VILLAGE OF SUTTONS BAY

DOWNTOWN DEVELOPMENT AUTHORITY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

	General Fund	Adjustments	Statement of Activities
Revenues			
Taxes	\$ 18,098	\$ -	\$ 18,098
Investment earnings	7	-	7
Miscellaneous	<u>1,713</u>	<u>-</u>	<u>1,713</u>
Total revenues	19,818	-	19,818
Expenditures/expenses			
Current			
General government	<u>4,070</u>	<u>-</u>	<u>4,070</u>
Net changes in fund balance	15,748	(15,748)	
Change in net position		15,748	15,748
Fund balance/net position, beginning of year	<u>26,616</u>		<u>26,616</u>
Fund balance/net position, end of year	<u>\$ 42,364</u>		<u>\$ 42,364</u>