

Village of Suttons Bay Michigan

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

VILLAGE OF SUTTONS BAY

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INDEPENDENT AUDITORS' REPORT

June xx, 2021

Village Council
Village of Suttons Bay, Michigan

Report on the Financial Statements

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, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village, as of December 31, 2020, and the respective changes in financial position and, where applicable cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the information on pages 33 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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.

The individual fund financial statements are 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. Such 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.

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, 2020. 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

- Increased net position in both governmental and business-type activities.
- The downtown TAP road project with MDOT began in April. S. Shore Road and multiple areas were upgraded and repaved. Broadway Street was also upgraded to address water runoff issues.
- The Marina purchased 2 additional de-icers and a new John Deere gator, as well as installed safety ladders, made roof repairs, made parking lot improvements, and completed the main basin dock project which began in 2019.
- A new 2020 Ford pickup truck was purchased and significant repairs were done on the vector truck.
- New generators and gas lines were installed for the sewer lift station and the water system.
- RAS replacement occurred at the wastewater treatment plant and cable service was run to improve internet connectivity.

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 \$14,246,108 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$1,778,382	\$1,968,567	\$1,584,538	\$1,590,812	\$ 3,362,920	\$ 3,559,379
Capital assets	4,481,789	4,124,879	8,753,949	8,862,626	13,235,738	12,987,505
Total assets	6,260,171	6,093,446	10,338,487	10,453,438	16,598,658	16,546,884
Long-term liabilities	265,353	314,625	1,850,000	2,010,000	2,115,353	2,324,625
Other liabilities	200,823	33,844	36,374	24,199	237,197	58,043
Total liabilities	466,176	348,469	1,886,374	2,034,199	2,352,550	2,382,668
Net position						
Net investment in capital						
Assets						
Restricted	4,216,436	3,810,254	6,903,949	7,871,060	11,120,385	11,681,314
Unrestricted	347,050	837,884	-	-	347,050	837,884
Total net position	\$5,793,995	\$5,744,977	\$8,452,113	\$8,419,239	\$14,246,108	\$14,164,216

Net position of the Village increased by \$81,892. The governmental activities increase in net position of \$49,018 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 \$32,874 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>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenue						
Program revenue						
Charges for services	\$ 123,310	\$ 109,100	\$1,285,789	\$1,276,570	\$1,409,099	\$1,385,670
Operating grants and contributions	195,450	166,752	-	-	195,450	166,752
Capital grants and contributions	-	-	5,750	-	5,750	-
General revenue						
Property taxes	727,024	710,187	-	-	727,024	710,187
State shared revenues	57,797	57,818	-	-	57,797	57,818
Other	12,416	22,816	9,412	71,933	21,828	94,749
Transfers	8,505	8,550	(8,505)	(8,550)	-	-
Total revenue	1,124,502	1,075,223	1,292,446	1,339,953	2,416,948	2,415,176
Expenses						
Legislative	31,883	16,219	-	-	31,883	16,219
General government	143,456	125,043	-	-	143,456	125,043
Public safety	112,019	110,366	-	-	112,019	110,366
Public works	668,568	580,906	-	-	668,568	580,906
Recreation and culture	111,731	96,380	-	-	111,731	96,380
Interest on long-term debt	7,827	9,037	-	-	7,827	9,037
Sewer	-	-	555,380	526,839	555,380	526,839
Water	-	-	201,794	177,041	201,794	177,041
Marina	-	-	502,398	494,853	502,398	494,853
Total expenses	1,075,484	937,951	1,259,572	1,198,733	2,335,056	2,136,684
Increase in net position	49,018	137,272	32,874	141,220	81,892	278,492
Net position, beginning of year	5,744,977	5,607,705	8,419,239	8,278,019	14,164,216	13,885,724
Net position, end of year	\$5,793,995	\$5,744,977	\$8,452,113	\$8,419,239	\$14,246,108	\$14,164,216

Governmental Activities. During the year the Village invested \$668,568 or 62% 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 38% of governmental activities expenses.

Business-type Activities. Business-type activities, which include, sewer, water, and marina operations, increased the Village's net position by \$32,874 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 \$1,573,861, a decrease of \$357,908 in comparison with the prior year. Of the \$1,573,861, \$756,440 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 \$756,273. 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 97% of total general fund expenditures and transfers out. Fund balance of the Village's general fund increased by \$55,869, primarily due to expenditures far less than anticipated.

At the end of the current fiscal year, fund balance of the major streets special revenue fund was \$224,222, a decrease of \$450,445 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 \$122,828, a decrease of \$40,389 primarily due to repaving of local streets.

At the end of the current fiscal year, fund balance of the property replacement capital projects fund was \$470,371, an increase of \$77,057.

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 \$637,780, \$309,455 and \$600,929, respectively. The sewer fund had an increase in net position for the year of \$14,788, the water fund had an increase of \$18,074, and the marina fund had an increase of \$12. 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, 2020, amounted to \$13,235,738 (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
Construction in progress	-	-	-
Buildings, equipment and infrastructure	3,310,670	7,670,063	10,980,733
Total	\$4,481,789	\$8,753,949	\$13,235,738

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 \$2,115,353 consisting of a sewer bond payable, a marina fund bond, and a building note. Principle payments of \$209,272 were made during the year. Additional information on the Village's long-term debt can be found in Note 5 of these financial statements.

Budgetary Highlights

- The motor pool department budget was amended to allow for vehicle repairs and for the purchase of a 2020 Ford Pickup.
- General fund budgeted transfers to the major street fund were increased to cover costs of street projects.
- Major streets budget was increased to reflect major road projects done during the year.
- Local streets budget was also increased to reflect major road projects done during the year.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Village's budget for the 2021 fiscal year:

- Slight increase in property taxable values is anticipated.
- The Marina walkway adjacent to Barkentine will be removed and updated.
- Security cameras will be installed at the Wastewater Treatment Plant, which will be partially funded by a grant.
- Repaving a portion of S Elm St will be a priority in 2021, as well as continuing to seek financial assistance to repair the Elm St culverts.
- The Village has applied for grants with intent to increase the Water Reservoir capacity.
- Contracts have been initiated for a Wellhead Protection Program to update the water storage capacity starting in 2021.

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.

VILLAGE OF SUTTONS BAY

STATEMENT OF NET POSITION

DECEMBER 31, 2020

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Downtown
	Activities	Activities		Development Authority
Assets				
Cash and pooled investments	\$ 1,746,319	\$ 1,521,944	\$ 3,268,263	\$ 26,752
Accounts receivable	7,062	55,137	62,199	-
Due from other governments	24,834	-	24,834	-
Inventory	-	7,457	7,457	-
Prepaid items	167	-	167	-
Capital assets				
Land	1,171,119	1,083,886	2,255,005	-
Depreciable capital assets, net	3,310,670	7,670,063	10,980,733	-
Total assets	<u>6,260,171</u>	<u>10,338,487</u>	<u>16,598,658</u>	<u>26,752</u>
Liabilities				
Accounts payable	193,687	11,457	205,144	5
Accrued liabilities	7,136	24,917	32,053	131
Debt due within one year	50,493	165,000	215,493	-
Noncurrent liabilities				
Debt due in more than one year	214,860	1,685,000	1,899,860	-
Total liabilities	<u>466,176</u>	<u>1,886,374</u>	<u>2,352,550</u>	<u>136</u>
Net position				
Net investment in capital assets	4,216,436	6,903,949	11,120,385	-
Restricted for				
Major streets	224,222	-	224,222	-
Local streets	122,828	-	122,828	-
Unrestricted	1,230,509	1,548,164	2,778,673	26,616
Total net position	<u>\$ 5,793,995</u>	<u>\$ 8,452,113</u>	<u>\$ 14,246,108</u>	<u>\$ 26,616</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, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary government				
Governmental activities				
Legislative	\$ 31,883	\$ -	\$ -	\$ (31,883)
General government	143,456	-	20,328	(123,128)
Public safety	112,019	-	-	(112,019)
Public works	668,568	123,310	175,122	(370,136)
Recreation and culture	111,731	-	-	(111,731)
Interest on long-term debt	7,827	-	-	(7,827)
Total governmental activities	1,075,484	123,310	195,450	(756,724)
Business-type activities				
Sewer	555,380	563,966	-	9,836
Water	201,794	220,492	-	23,198
Marina	502,398	501,331	-	(1,067)
Total business-type activities	1,259,572	1,285,789	-	31,967
Total primary government	\$ 2,335,056	\$ 1,409,099	\$ 195,450	\$ (724,757)
Component unit				
Downtown Development Authority	\$ 4,072	\$ -	\$ -	\$ (4,072)

(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, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Changes in net assets				
Net (expense) revenue	\$ (756,724)	\$ 31,967	\$ (724,757)	\$ (4,072)
General revenues				
Property taxes	727,024	-	727,024	5,241
State shared revenues	57,797	-	57,797	-
Interest and rentals	4,742	9,327	14,069	152
Other revenue	7,674	85	7,759	-
Transfers - internal activities	8,505	(8,505)	-	-
Total general revenues	805,742	907	806,649	5,393
Change in net position	49,018	32,874	81,892	1,321
Net position, beginning of year	5,744,977	8,419,239	14,164,216	25,295
Net position, end of year	\$ 5,793,995	\$ 8,452,113	\$ 14,246,108	\$ 26,616

(Concluded)

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

VILLAGE OF SUTTONS BAY

GOVERNMENTAL FUNDS
BALANCE SHEET

DECEMBER 31, 2020

	Special Revenue			Capital Projects	Total
	General	Major Streets	Local Streets	Property Replacement	
Assets					
Cash and pooled investments	\$ 784,132	\$ 325,958	\$ 164,101	\$ 472,128	\$ 1,746,319
Accounts receivable	7,062	-	-	-	7,062
Due from other governments	8,959	10,451	5,424	-	24,834
Prepaid items	167	-	-	-	167
Total assets	\$ 800,320	\$ 336,409	\$ 169,525	\$ 472,128	\$ 1,778,382
Liabilities, deferred inflows of resources, and fund balances					
Liabilities					
Accounts payable	\$ 35,298	\$ 111,037	\$ 45,595	\$ 1,757	\$ 193,687
Accrued liabilities	4,884	1,150	1,102	-	7,136
Total liabilities	40,182	112,187	46,697	1,757	200,823
Deferred inflows of resources					
Unavailable revenue	3,698	-	-	-	3,698
Fund balances					
Nonspendable					
Prepaid items	167	-	-	-	167
Restricted					
Streets	-	224,222	122,828	-	347,050
Assigned					
Capital projects	-	-	-	470,371	470,371
Unassigned	756,273	-	-	-	756,273
Total fund balances	756,440	224,222	122,828	470,371	1,573,861
Total liabilities, deferred infows, and fund balances	\$ 800,320	\$ 336,409	\$ 169,525	\$ 472,128	\$ 1,778,382

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, 2020

Fund balances - total governmental funds	\$ 1,573,861
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)	3,310,670
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	3,698
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - long-term debt payable	<u>(265,353)</u>
Net position of governmental activities	<u>\$ 5,793,995</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, 2020

	<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	\$ 726,280	\$ -	\$ -	\$ -	\$ 726,280
Intergovernmental revenues					
State	73,625	85,625	50,412	-	209,662
Local	-	32,548	-	-	32,548
Licenses and permits	19,535	-	-	-	19,535
Charges for services	800	-	-	-	800
Interest and rentals	3,057	2,617	534	1,685	7,893
Miscellaneous	12,174	-	3,386	-	15,560
Total revenues	<u>835,471</u>	<u>120,790</u>	<u>54,332</u>	<u>1,685</u>	<u>1,012,278</u>
Expenditures					
Current					
Legislative	31,883	-	-	-	31,883
General government	110,189	-	-	-	110,189
Public safety	82,656	-	-	-	82,656
Public works	176,885	638,380	151,866	-	967,131
Recreation and culture	86,089	-	-	-	86,089
Debt service					
Principal	-	-	-	49,272	49,272
Interest	-	-	-	7,827	7,827
Capital outlay	-	-	-	43,644	43,644
Total expenditures	<u>487,702</u>	<u>638,380</u>	<u>151,866</u>	<u>100,743</u>	<u>1,378,691</u>
Revenues over (under) expenditures	<u>347,769</u>	<u>(517,590)</u>	<u>(97,534)</u>	<u>(99,058)</u>	<u>(366,413)</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	55,869	(450,445)	(40,389)	77,057	(357,908)
Fund balances, beginning of year	<u>700,571</u>	<u>674,667</u>	<u>163,217</u>	<u>393,314</u>	<u>1,931,769</u>
Fund balances, end of year	<u>\$ 756,440</u>	<u>\$ 224,222</u>	<u>\$ 122,828</u>	<u>\$ 470,371</u>	<u>\$ 1,573,861</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, 2020

Net changes in fund balances - total governmental funds	\$ (357,908)
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	614,715
Deduct - depreciation expense	(257,805)
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	744
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>49,272</u>
Change in net position of governmental activities	<u>\$ 49,018</u>

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

VILLAGE OF SUTTONS BAY

ENTERPRISE FUNDS STATEMENT OF NET POSITION

DECEMBER 31, 2020

Assets	Sewer	Water	Marina	Total
Current assets				
Cash and pooled investments	\$ 601,931	\$ 298,167	\$ 621,846	\$ 1,521,944
Accounts receivable	41,747	13,218	172	55,137
Inventory	-	7,457	-	7,457
	<u>643,678</u>	<u>318,842</u>	<u>622,018</u>	<u>1,584,538</u>
Total current assets				
Noncurrent assets				
Land	-	-	1,083,886	1,083,886
Capital assets, net	5,006,415	814,560	1,849,088	7,670,063
	<u>5,006,415</u>	<u>814,560</u>	<u>2,932,974</u>	<u>8,753,949</u>
Net noncurrent assets				
	<u>5,006,415</u>	<u>814,560</u>	<u>2,932,974</u>	<u>8,753,949</u>
Total assets	<u>5,650,093</u>	<u>1,133,402</u>	<u>3,554,992</u>	<u>10,338,487</u>
Liabilities				
Current liabilities				
Accounts payable	3,130	7,582	745	11,457
Accrued liabilities	2,768	1,805	20,344	24,917
Current portion of long-term debt	120,000	-	45,000	165,000
	<u>125,898</u>	<u>9,387</u>	<u>66,089</u>	<u>201,374</u>
Total current liabilities				
Long-term liabilities				
Bonds payable, net of current portion	620,000	-	1,065,000	1,685,000
	<u>620,000</u>	<u>-</u>	<u>1,065,000</u>	<u>1,685,000</u>
Total liabilities	<u>745,898</u>	<u>9,387</u>	<u>1,131,089</u>	<u>1,886,374</u>
Net position				
Net investment in capital assets	4,266,415	814,560	1,822,974	6,903,949
Unrestricted	637,780	309,455	600,929	1,548,164
	<u>4,904,195</u>	<u>1,124,015</u>	<u>2,423,903</u>	<u>8,452,113</u>
Total net position	<u>\$ 4,904,195</u>	<u>\$ 1,124,015</u>	<u>\$ 2,423,903</u>	<u>\$ 8,452,113</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, 2020

	<u>Sewer</u>	<u>Water</u>	<u>Marina</u>	<u>Total</u>
Operating revenue				
Charges for services	\$ 563,966	\$ 220,492	\$ 501,331	\$ 1,285,789
Other	-	-	85	85
Total operating revenue	<u>563,966</u>	<u>220,492</u>	<u>501,416</u>	<u>1,285,874</u>
Operating expense				
Operations and maintenance	323,195	116,059	287,429	726,683
Administration	54,030	51,607	39,593	145,230
Depreciation	164,261	34,128	132,766	331,155
Total operating expense	<u>541,486</u>	<u>201,794</u>	<u>459,788</u>	<u>1,203,068</u>
Operating income (loss)	<u>22,480</u>	<u>18,698</u>	<u>41,628</u>	<u>82,806</u>
Non-operating revenue (expense)				
State grants	1,250	4,500	-	5,750
Interest income	3,677	1,801	3,849	9,327
Interest expense	(13,894)	-	(42,610)	(56,504)
Total non-operating revenue (expense)	<u>(8,967)</u>	<u>6,301</u>	<u>(38,761)</u>	<u>(41,427)</u>
Income (loss) before transfers	<u>13,513</u>	<u>24,999</u>	<u>2,867</u>	<u>41,379</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	14,788	18,074	12	32,874
Net position, beginning of year	<u>4,889,407</u>	<u>1,105,941</u>	<u>2,423,891</u>	<u>8,419,239</u>
Net position, end of year	<u>\$ 4,904,195</u>	<u>\$ 1,124,015</u>	<u>\$ 2,423,903</u>	<u>\$ 8,452,113</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, 2020

	<u>Sewer</u>	<u>Water</u>	<u>Marina</u>	<u>Total</u>
Cash flows from operating activities				
Receipts from customers and users	\$ 556,926	\$ 221,680	\$ 501,840	\$ 1,280,446
Payments to employees	(113,885)	(109,897)	(162,718)	(386,500)
Payments to suppliers	(259,888)	(49,764)	(163,491)	(473,143)
Net cash provided by (used in) operating activities	<u>183,153</u>	<u>62,019</u>	<u>175,631</u>	<u>420,803</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	(13,894)	-	(42,610)	(56,504)
Principal paid on bonds	(115,000)	-	(45,000)	(160,000)
State grant	1,250	4,500	-	5,750
Acquisitions of capital assets	(42,932)	(92,910)	(86,636)	(222,478)
Net cash provided by (used in) capital and related financing activities	<u>(170,576)</u>	<u>(88,410)</u>	<u>(174,246)</u>	<u>(433,232)</u>
Cash flows from investing activities				
Interest income	3,677	1,801	3,849	9,327
Net increase (decrease) in cash and pooled investments	17,529	(31,515)	2,379	(11,607)
Cash and pooled investments, beginning of year	<u>584,402</u>	<u>329,682</u>	<u>619,467</u>	<u>1,533,551</u>
Cash and pooled investments, end of year	<u>\$ 601,931</u>	<u>\$ 298,167</u>	<u>\$ 621,846</u>	<u>\$ 1,521,944</u>
Cash flows from operating activities				
Operating income (loss)	\$ 22,480	\$ 18,698	\$ 41,628	\$ 82,806
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	164,261	34,128	132,766	331,155
Changes in operating assets and liabilities which provided (used) cash				
Accounts receivable	(7,040)	1,188	424	(5,428)
Prepaid items	39	-	56	95
Accounts payable	2,886	7,531	557	10,974
Accrued liabilities	527	474	200	1,201
Net cash provided by (used in) operating activities	<u>\$ 183,153</u>	<u>\$ 62,019</u>	<u>\$ 175,631</u>	<u>\$ 420,803</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, 2020

	<u>Pension Trust</u>
Assets	
Money market funds	\$ 29,289
Contribution receivable	4,442
Investments	
Bond mutual funds	75,688
Other mutual funds	450,291
Loans receivable from plan participants	<u>199</u>
Total assets	559,909
Liabilities	
Accounts payable	<u>-</u>
Net position	
Net position held in trust for pension benefits	<u>\$ 559,909</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, 2020

	<u>Pension Trust</u>
Additions	
Contributions:	
Employer	\$ 49,905
Employee	8,680
Investment income (loss)	<u>59,167</u>
Total additions	<u>117,752</u>
Deductions	
Distributions and benefit payments	74,035
Commissions and fees	<u>1,827</u>
Total deductions	<u>75,862</u>
Net increase (decrease)	41,890
Net position, beginning of year	<u>518,019</u>
Net position, end of year	<u>\$ 559,909</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, 2020

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, 2020

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, 2020

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, 2020

- 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

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.

VILLAGE OF SUTTONS BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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.

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.

VILLAGE OF SUTTONS BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020, 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, 2020, the Village incurred public safety expenditures which were \$656 in excess of the amount appropriated.

VILLAGE OF SUTTONS BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

3. DEPOSITS AND INVESTMENTS

Cash and pooled investments consist of the following at December 31, 2020:

Deposits	\$ 956,596
Investments	2,338,088
Investments held for pension benefits	555,268
Petty cash	331
	<u>331</u>
	<u>\$3,850,283</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, \$470,765 of the Village's bank balance of \$987,347 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, 2020

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>\$2,338,088</u>	AAAm	S&P
Pension Investments:				
Lord Abbett Funds				
Affiliated A	N/A	83,464	3	Morning Star
Bond Debenture A	N/A	71,759	4	Morning Star
Dividend Growth A	N/A	2,839	3	Morning Star
Multi-asset Balanced Strategy A	N/A	108,403	2	Morning Star
Floating Rate A	N/A	1,403	3	Morning Star
Growth Opportunities A	N/A	109,330	3	Morning Star
Core Fixed Income A	N/A	5,551	3	Morning Star
Fundamental Equity A	N/A	72,927	3	Morning Star
Total Return A	N/A	11,235	3	Morning Star
Value Opportunities A	N/A	10,960	3	Morning Star
Growth Leaders A	N/A	7,315	4	Morning Star
Multi-Asset Income A	N/A	3,295	3	Morning Star
Fundamental Equity F	N/A	7,825	3	Morning Star
Multi-Asset Balanced Opp R6	N/A	14,651	4	Morning Star
Dividend Growth R6	N/A	926	3	Morning Star
Fundamental Equity R6	N/A	4,742	3	Morning Star
Bond Debenture R6	N/A	3,929	3	Morning Star
Core Fixed Income R6	N/A	1,652	3	Morning Star
Short Duration Income R6	N/A	349	4	Morning Star
Growth Opportunities R6	N/A	2,201	3	Morning Star
Floating Rate R6	N/A	930	2	Morning Star
Total Return R6	N/A	293	3	Morning Star
Money market funds	N/A	<u>29,289</u>	N/A	
Total pension investments		<u>555,268</u>		
Total investments		<u>\$2,893,356</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, 2020

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 \$555,268 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, 2020	Additions	Deletions	Balance December 31, 2020
Governmental Activities				
Capital assets, not being depreciated				
Land	\$1,165,964	\$ 5,155	\$ -	\$1,171,119
Construction in progress	-	-	-	-
	<u>1,165,964</u>	<u>5,155</u>	<u>-</u>	<u>1,171,119</u>
Capital assets, being depreciated				
Building and improvements	4,404,385	558,237	-	4,962,622
Vehicles and equipment	893,890	51,323	-	945,213
Total capital assets, being depreciated	<u>5,298,275</u>	<u>609,560</u>	<u>-</u>	<u>5,907,835</u>
Less accumulated depreciation				
Building and improvements	1,563,028	223,154	-	1,786,182
Vehicles and equipment	776,332	34,651	-	810,983
Total accumulated depreciation	<u>2,339,360</u>	<u>257,805</u>	<u>-</u>	<u>2,597,165</u>
Net capital assets, being depreciated	<u>2,958,915</u>	<u>351,755</u>	<u>-</u>	<u>3,310,670</u>
Governmental Activities capital assets, net	<u>\$4,124,879</u>	<u>\$356,910</u>	<u>\$ -</u>	<u>\$4,481,789</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	9,242,312	142,752	-	9,385,064
Buildings	135,476	25,783	-	161,259
Seawall and docks	2,832,902	53,943	-	2,886,845
Total capital assets, being depreciated	<u>12,210,690</u>	<u>222,478</u>	<u>-</u>	<u>12,433,168</u>
Less accumulated depreciation				
Mains and equipment	3,356,190	200,031	-	3,556,221
Buildings	123,523	5,111	-	128,634
Seawall and docks	952,237	126,013	-	1,078,250
Total accumulated depreciation	<u>4,431,950</u>	<u>331,155</u>	<u>-</u>	<u>4,763,105</u>
Net capital assets, being depreciated	<u>7,778,740</u>	<u>(108,677)</u>	<u>-</u>	<u>7,670,063</u>
Business-type Activities capital assets, net	<u>\$8,862,626</u>	<u>(\$108,677)</u>	<u>\$ -</u>	<u>\$8,753,949</u>

VILLAGE OF SUTTONS BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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

Governmental Activities	
General government	\$ 35,320
Public safety	31,175
Public works	164,086
Culture and recreation	27,224
	<u>257,805</u>
Total depreciation expense, governmental activities	\$257,805
Business-type Activities	
Sewer	\$164,262
Water	34,127
Marina	132,766
	<u>331,155</u>
Total depreciation expense, business-type activities	\$331,155

5. LONG-TERM DEBT

The following is a summary of the debt transactions of the Village for the year ended December 31, 2020.

	<u>Balance January 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2020</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%	\$ 314,625	\$ -	\$ 49,272	\$ 265,353	\$ 50,493
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%	\$ 855,000	\$ -	\$ 115,000	\$ 740,000	\$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%	\$1,155,000	-	45,000	1,110,000	45,000
Total Business-type Activities	<u>\$2,010,000</u>	<u>\$ -</u>	<u>\$160,000</u>	<u>\$1,850,000</u>	<u>\$165,000</u>

VILLAGE OF SUTTONS BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

The annual requirements to amortize all debt outstanding as of December 31, 2020 are as follows:

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 50,493	\$6,607	\$ 165,000	\$ 53,651
2022	51,750	5,350	165,000	50,012
2023	53,038	4,061	170,000	46,375
2024	110,072	4,128	175,000	42,550
2025	-	-	175,000	38,644
2026-2030	-	-	415,000	144,425
2031-2035	-	-	345,000	84,750
2036-2039	-	-	240,000	18,375
Total	\$265,353	\$20,146	\$1,850,000	\$478,782

6. INTERFUND TRANSACTIONS

Transfers in and out for the year ended December 31, 2020 are as follows:

Transfers in:	Transfers out						Total
	General fund	Major streets	Local Streets	Sewer fund	Water fund	Marina fund	
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, 2020 amounted to \$48,416 and \$8,090, respectively.

8. COMMITMENTS

At year-end, the Village had outstanding purchase and construction commitments of approximately \$16,900.

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VILLAGE OF SUTTONS BAY

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

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes and penalties	\$ 697,000	\$ 726,150	\$ 726,280	\$ 130
Intergovernmental revenues				
State	50,000	73,000	73,625	625
Licenses and permits	1,500	9,500	19,535	10,035
Charges for services	1,200	900	800	(100)
Interest and rentals	3,000	3,000	3,057	57
Miscellaneous	-	11,500	12,174	674
Total revenues	<u>752,700</u>	<u>824,050</u>	<u>835,471</u>	<u>11,421</u>
Expenditures				
Current				
Legislative-Village Council	24,000	44,380	31,883	12,497
General government				
Village manager	31,600	34,405	30,965	3,440
Clerk	10,290	10,290	8,344	1,946
Treasurer	23,100	22,585	19,554	3,031
Village hall	48,506	56,006	51,326	4,680
Total general government	<u>113,496</u>	<u>123,286</u>	<u>110,189</u>	<u>13,097</u>
Public safety	82,000	82,000	82,656	(656)
Public works				
Department of public works	102,325	113,945	83,571	30,374
Zoning and planning	51,150	45,875	35,478	10,397
Street lighting	13,000	13,500	11,968	1,532
Motor pool	98,700	164,710	148,843	15,867
Motor vehicle leases	(102,975)	(108,975)	(102,975)	(6,000)
Total public works	<u>162,200</u>	<u>229,055</u>	<u>176,885</u>	<u>52,170</u>
Culture and recreation	115,000	110,225	86,089	24,136
Total expenditures	<u>496,696</u>	<u>588,946</u>	<u>487,702</u>	<u>101,244</u>
Revenues over (under) expenditures	256,004	235,104	347,769	112,665
Other financing sources (uses)				
Transfers out	(271,900)	(291,900)	(291,900)	-
Net changes in fund balance	(15,896)	(56,796)	55,869	112,665
Fund balance, beginning of year	<u>700,571</u>	<u>700,571</u>	<u>700,571</u>	<u>-</u>
Fund balance, end of year	<u>\$ 684,675</u>	<u>\$ 643,775</u>	<u>\$ 756,440</u>	<u>\$ 112,665</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, 2020

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenues				
State	\$ 77,000	\$ 77,000	\$ 85,625	\$ 8,625
Local	31,000	32,000	32,548	548
Interest and rentals	500	2,000	2,617	617
Total revenues	<u>108,500</u>	<u>111,000</u>	<u>120,790</u>	<u>9,790</u>
Expenditures				
Public works				
Routine maintenance	65,783	57,396	43,183	14,213
Winter maintenance	52,724	52,724	52,724	-
Sidewalk improvements	5,000	1,000	148	852
Contracted services	12,500	6,000	5,720	280
Construction	452,996	522,461	536,605	(14,144)
Total expenditures	<u>589,003</u>	<u>639,581</u>	<u>638,380</u>	<u>1,201</u>
Revenues over (under) expenditures	<u>(480,503)</u>	<u>(528,581)</u>	<u>(517,590)</u>	<u>10,991</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	(413,358)	(461,436)	(450,445)	10,991
Fund balances, beginning of year	<u>674,667</u>	<u>674,667</u>	<u>674,667</u>	<u>-</u>
Fund balances, end of year	<u>\$ 261,309</u>	<u>\$ 213,231</u>	<u>\$ 224,222</u>	<u>\$ 10,991</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, 2020

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 41,000	\$ 44,000	\$ 50,412	\$ 6,412
Interest and rentals	900	500	534	34
Miscellaneous	-	-	3,386	3,386
Total revenues	<u>41,900</u>	<u>44,500</u>	<u>54,332</u>	<u>9,832</u>
Expenditures				
Public works				
Routine maintenance	46,867	39,931	32,155	7,776
Winter maintenance	57,858	57,858	57,858	-
Sidewalk improvements	5,000	1,000	148	852
Contracted services	8,500	7,000	6,445	555
Construction	-	48,000	55,260	(7,260)
Total expenditures	<u>118,225</u>	<u>153,789</u>	<u>151,866</u>	<u>1,923</u>
Revenues over (under) expenditures	<u>(76,325)</u>	<u>(109,289)</u>	<u>(97,534)</u>	<u>11,755</u>
Other financing sources (uses)				
Transfers in	60,000	60,000	60,000	-
Transfers out	<u>(2,855)</u>	<u>(2,855)</u>	<u>(2,855)</u>	<u>-</u>
Total other financing sources (uses)	<u>57,145</u>	<u>57,145</u>	<u>57,145</u>	<u>-</u>
Net changes in fund balances	(19,180)	(52,144)	(40,389)	11,755
Fund balances, beginning of year	<u>163,217</u>	<u>163,217</u>	<u>163,217</u>	<u>-</u>
Fund balances, end of year	<u>\$ 144,037</u>	<u>\$ 111,073</u>	<u>\$ 122,828</u>	<u>\$ 11,755</u>

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VILLAGE OF SUTTONS BAY

**DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET/STATEMENT OF NET POSITION**

DECEMBER 31, 2020

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Cash and pooled investments	\$ 26,752	\$ -	\$ 26,752
Total assets	<u>26,752</u>	<u>-</u>	<u>26,752</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	5	-	5
Accrued liabilities	131	-	131
Total liabilities	<u>136</u>	<u>-</u>	<u>136</u>
Fund balances			
Unassigned	<u>26,616</u>	<u>(26,616)</u>	
Total fund balance	<u>26,616</u>	<u>(26,616)</u>	
Total liabilities and fund balances	<u>\$ 26,752</u>		
Net position			
Net investment in capital assets			
Unrestricted		<u>\$ 26,616</u>	<u>\$ 26,616</u>

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, 2020

	General Fund	Adjustments	Statement of Activities
Revenues			
Taxes	\$ 5,241	\$ -	\$ 5,241
Investment earnings	<u>152</u>	<u>-</u>	<u>152</u>
Total revenues	5,393	-	5,393
Expenditures/expenses			
Current			
General government	<u>4,072</u>	<u>-</u>	<u>4,072</u>
Net changes in fund balance	1,321	(1,321)	
Change in net position		1,321	1,321
Fund balance/net position, beginning of year	<u>25,295</u>		<u>25,295</u>
Fund balance/net position, end of year	<u>\$ 26,616</u>		<u>\$ 26,616</u>