



FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022



Vredeveld Haefner LLC
CPAs and Consultants

VILLAGE OF SUTTONS BAY

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INDEPENDENT AUDITORS' REPORT

May 25, 2023

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, 2022, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the 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.

Uredaxold 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, 2022. 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

- Added a bicycle repair station and water bottle fill station at North Park.
- Completed paving on Lincoln and St. Mary's streets and water main repairs on St. Mary's street.
- Purchased 2005 dump truck.
- Purchased 2023 John Deere loader.

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 \$14,562,213 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	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and other assets	\$1,735,357	\$1,661,530	\$1,788,960	\$1,703,363	\$3,524,317	\$3,364,893
Capital assets	4,424,822	4,397,337	8,281,626	8,471,099	12,706,448	12,868,436
Total assets	6,160,179	6,058,867	10,070,586	10,174,462	16,230,765	16,233,329
Long-term liabilities	-	-	1,350,000	1,520,000	1,350,000	1,520,000
Other liabilities	116,435	74,946	202,117	197,781	318,552	272,727
Total liabilities	116,435	74,946	1,552,117	1,717,781	1,668,552	1,792,727
Net position						
Net investment in capital						
Assets	4,424,822	4,397,337	6,761,626	6,786,099	11,186,448	11,183,436
Restricted	390,067	325,588	-	-	390,067	325,588
Unrestricted	1,228,855	1,260,996	1,756,843	1,670,582	2,985,698	2,931,578
Total net position	\$6,043,744	\$5,983,921	\$8,518,469	\$8,456,681	\$14,562,213	\$14,440,602

Net position of the Village increased by \$121,611. The governmental activities increase in net position of \$59,823 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 \$61,788 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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue						
Program revenue						
Charges for services	\$123,104	\$ 124,325	\$1,389,157	\$1,344,015	\$1,512,261	\$1,468,340
Operating grants and Contributions	211,427	195,579	-	-	211,427	195,579
Capital grants and contributions	-	-	6,050	1,250	6,050	1,250
General revenue						
Property taxes	772,283	742,879	-	-	772,283	742,879
State shared revenues	71,174	66,943	-	-	71,174	66,943
Other	18,340	44,345	25,620	10,318	43,960	54,663
Transfers	8,505	8,505	(8,505)	(8,505)	-	-
Total revenue	1,204,833	1,182,576	1,412,322	1,347,078	2,617,155	2,529,654
Expenses						
Legislative	13,380	13,089	-	-	13,380	13,089
General government	161,062	133,826	-	-	161,062	133,826
Public safety	83,798	109,322	-	-	83,798	109,322
Public works	692,293	596,065	-	-	692,293	596,065
Recreation and culture	194,477	131,660	-	-	194,477	131,660
Interest on long-term debt	-	8,688	-	-	-	8,688
Sewer	-	-	567,863	609,645	567,863	609,645
Water	-	-	217,706	200,378	217,706	200,378
Marina	-	-	564,965	532,487	564,965	532,487
Total expenses	1,145,010	992,650	1,350,534	1,342,510	2,495,544	2,335,160
Increase in net position	59,823	189,926	61,788	4,568	121,611	194,494
Net position, beginning of year	5,983,921	5,793,995	8,456,681	8,452,113	14,440,602	14,246,108
Net position, end of year	\$6,043,744	\$5,983,921	\$8,518,469	\$8,456,681	\$14,562,213	\$14,440,602

Governmental Activities. During the year the Village invested \$692,293 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 \$61,788 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 \$1,614,262, an increase of \$32,224 in comparison with the prior year. Of the \$1,614,262, \$913,048 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 \$789,883. 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 92% of total general fund expenditures and transfers out. Fund balance of the Village's general fund increased by \$23,679, 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 \$283,677, an increase of \$90,356 primarily due to a transfer of funds from the general fund.

At the end of the current fiscal year, fund balance of the local streets special revenue fund was \$106,390, a decrease of \$25,877 primarily due to significant street projects during the year funded by Act 51 revenues and an \$80,000 transfer from the general fund.

At the end of the current fiscal year, fund balance of the property replacement capital projects fund was \$311,147, a decrease of \$55,934.

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 \$617,378, \$387,019 and \$752,446, respectively. The sewer fund had a decrease in net position for the year of \$8,669, the water fund had an increase of \$16,538, and the marina fund had an increase of \$53,919. 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, 2022, amounted to \$12,706,448 (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	3,253,703	7,197,740	10,451,443
Total	\$4,424,822	\$8,281,626	\$12,706,448

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 \$1,520,000 consisting of a sewer bond and a marina bond. Principle payments of \$165,000 were made during the year which were in accordance with the bond payment schedules. Additional information on the Village's long-term debt can be found in Note 5 of these financial statements.

Budgetary Highlights

- The general fund culture and recreation budget was increased to reflect work done on Waterwheel Park in 2022.
- Major streets budget was increased to reflect major road repairs and maintenance 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 2023 fiscal year:

- Slight increase in property taxable values is anticipated.
- Anticipate expenditures related to installation of a generator and security upgrades at DPW building.
- Repaving a portion of Lincoln and South Shore Streets in 2023.
- Upgrade to park building door, locks and signs.
- Purchase and install by-pass pump for sewer system main lift station.
- Water system tank lining engineering and continued SCADA updating.
- Stabilization and dock upgrades at Marina coal dock section.

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, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
Assets				
Cash and pooled investments	\$ 1,697,793	\$ 1,723,761	\$ 3,421,554	\$ 60,459
Accounts receivable	5,560	47,185	52,745	5,655
Due from other governments	31,443	-	31,443	-
Inventory	-	17,812	17,812	-
Prepaid items	561	202	763	3
Capital assets				
Land	1,171,119	1,083,886	2,255,005	-
Depreciable capital assets, net	3,253,703	7,197,740	10,451,443	-
Total assets	6,160,179	10,070,586	16,230,765	66,117
Liabilities				
Accounts payable	38,526	3,982	42,508	12
Accrued liabilities	12,490	28,135	40,625	167
Unearned revenue	65,419	-	65,419	-
Debt due within one year	-	170,000	170,000	-
Noncurrent liabilities				
Debt due in more than one year	-	1,350,000	1,350,000	-
Total liabilities	116,435	1,552,117	1,668,552	179
Net position				
Net investment in capital assets	4,424,822	6,761,626	11,186,448	-
Restricted for				
Major streets	283,677	-	283,677	-
Local streets	106,390	-	106,390	-
Unrestricted	1,228,855	1,756,843	2,985,698	65,938
Total net position	\$ 6,043,744	\$ 8,518,469	\$ 14,562,213	\$ 65,938

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

VILLAGE OF SUTTONS BAY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Primary government				
Governmental activities				
Legislative	\$ 13,380	\$ -	\$ -	\$ (13,380)
General government	161,062	-	9,807	(151,255)
Public safety	83,798	-	-	(83,798)
Public works	692,293	123,104	201,620	(367,569)
Recreation and culture	<u>194,477</u>	<u>-</u>	<u>-</u>	<u>(194,477)</u>
Total governmental activities	<u>1,145,010</u>	<u>123,104</u>	<u>211,427</u>	<u>(810,479)</u>
Business-type activities				
Sewer	567,863	548,453	-	(18,160)
Water	217,706	232,239	-	19,333
Marina	<u>564,965</u>	<u>608,465</u>	<u>-</u>	<u>43,500</u>
Total business-type activities	<u>1,350,534</u>	<u>1,389,157</u>	<u>-</u>	<u>44,673</u>
Total primary government	<u>\$ 2,495,544</u>	<u>\$ 1,512,261</u>	<u>\$ 211,427</u>	<u>\$ (765,806)</u>
Component unit				
Downtown Development Authority	<u>\$ 4,217</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,217)</u>

(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, 2022

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Downtown Development Authority</u>
Changes in net assets				
Net (expense) revenue	\$ (810,479)	\$ 44,673	\$ (765,806)	\$ (4,217)
General revenues				
Property taxes	772,283	-	772,283	27,127
State shared revenues	71,174	-	71,174	-
Interest and rentals	13,621	24,397	38,018	313
Other revenue	4,719	1,223	5,942	351
Transfers - internal activities	<u>8,505</u>	<u>(8,505)</u>	<u>-</u>	<u>-</u>
Total general revenues	<u>870,302</u>	<u>17,115</u>	<u>887,417</u>	<u>27,791</u>
Change in net position	59,823	61,788	121,611	23,574
Net position, beginning of year	<u>5,983,921</u>	<u>8,456,681</u>	<u>14,440,602</u>	<u>42,364</u>
Net position, end of year	<u>\$ 6,043,744</u>	<u>\$ 8,518,469</u>	<u>\$ 14,562,213</u>	<u>\$ 65,938</u>

(Concluded)

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

VILLAGE OF SUTTONS BAY

**GOVERNMENTAL FUNDS
BALANCE SHEET**

DECEMBER 31, 2022

	<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	\$ 946,266	\$ 338,384	\$ 101,996	\$ 311,147	\$ 1,697,793
Accounts receivable	5,560	-	-	-	5,560
Due from other governments	11,241	13,298	6,904	-	31,443
Prepaid items	<u>486</u>	<u>38</u>	<u>37</u>	<u>-</u>	<u>561</u>
Total assets	<u>\$ 963,553</u>	<u>\$ 351,720</u>	<u>\$ 108,937</u>	<u>\$ 311,147</u>	<u>\$ 1,735,357</u>
Liabilities, deferred inflows of resources, and fund balances					
Liabilities					
Accounts payable	\$ 37,632	\$ 447	\$ 447	\$ -	\$ 38,526
Accrued liabilities	8,213	2,177	2,100	-	12,490
Unearned revenue	<u>-</u>	<u>65,419</u>	<u>-</u>	<u>-</u>	<u>65,419</u>
Total liabilities	<u>45,845</u>	<u>68,043</u>	<u>2,547</u>	<u>-</u>	<u>116,435</u>
Deferred inflows of resources					
Unavailable revenue	<u>4,660</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,660</u>
Fund balances					
Nonspendable					
Prepaid items	486	38	37	-	561
Restricted					
Streets	-	283,639	106,353	-	389,992
Assigned					
Capital projects	-	-	-	311,147	311,147
Subsequent year expenditures	122,679	-	-	-	122,679
Unassigned	<u>789,883</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>789,883</u>
Total fund balances	<u>913,048</u>	<u>283,677</u>	<u>106,390</u>	<u>311,147</u>	<u>1,614,262</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 963,553</u>	<u>\$ 351,720</u>	<u>\$ 108,937</u>	<u>\$ 311,147</u>	<u>\$ 1,735,357</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, 2022

Fund balances - total governmental funds	\$ 1,614,262
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)	3,253,703
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>4,660</u>
Net position of governmental activities	<u>\$ 6,043,744</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, 2022

	<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	\$ 772,169	\$ -	\$ -	\$ -	\$ 772,169
Intergovernmental revenues					
State	80,981	95,300	61,495	-	237,776
Local	-	37,464	-	-	37,464
Licenses and permits	11,829	-	-	-	11,829
Charges for services	2,300	-	-	-	2,300
Interest and rentals	10,110	2,577	1,174	3,511	17,372
Miscellaneous	4,719	-	3,610	-	8,329
Total revenues	<u>882,108</u>	<u>135,341</u>	<u>66,279</u>	<u>3,511</u>	<u>1,087,239</u>
Expenditures					
Current					
Legislative	13,380	-	-	-	13,380
General government	116,065	-	-	-	116,065
Public safety	83,798	-	-	-	83,798
Public works	151,834	132,130	169,301	-	453,265
Recreation and culture	161,452	-	-	-	161,452
Capital outlay	-	-	-	235,560	235,560
Total expenditures	<u>526,529</u>	<u>132,130</u>	<u>169,301</u>	<u>235,560</u>	<u>1,063,520</u>
Revenues over (under) expenditures	<u>355,579</u>	<u>3,211</u>	<u>(103,022)</u>	<u>(232,049)</u>	<u>23,719</u>
Other financing sources (uses)					
Transfers in	-	90,000	80,000	176,115	346,115
Transfers out	(331,900)	(2,855)	(2,855)	-	(337,610)
Total other financing sources (uses)	<u>(331,900)</u>	<u>87,145</u>	<u>77,145</u>	<u>176,115</u>	<u>8,505</u>
Net changes in fund balances	23,679	90,356	(25,877)	(55,934)	32,224
Fund balances, beginning of year	<u>889,369</u>	<u>193,321</u>	<u>132,267</u>	<u>367,081</u>	<u>1,582,038</u>
Fund balances, end of year	<u>\$ 913,048</u>	<u>\$ 283,677</u>	<u>\$ 106,390</u>	<u>\$ 311,147</u>	<u>\$ 1,614,262</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, 2022

Net changes in fund balances - total governmental funds	\$ 32,224
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	331,595
Deduct - depreciation expense	(304,110)
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	<u>114</u>
Change in net position of governmental activities	<u>\$ 59,823</u>

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

VILLAGE OF SUTTONS BAY

ENTERPRISE FUNDS STATEMENT OF NET POSITION

DECEMBER 31, 2022

	<u>Sewer</u>	<u>Water</u>	<u>Marina</u>	<u>Total</u>
Assets				
Current assets				
Cash and pooled investments	\$ 587,635	\$ 362,096	\$ 774,030	\$ 1,723,761
Accounts receivable	36,947	10,238	-	47,185
Inventory	-	17,812	-	17,812
Prepaid items	61	64	77	202
	<u>624,643</u>	<u>390,210</u>	<u>774,107</u>	<u>1,788,960</u>
Total current assets				
Noncurrent assets				
Land	-	-	1,083,886	1,083,886
Capital assets, net	4,730,066	785,056	1,682,618	7,197,740
	<u>4,730,066</u>	<u>785,056</u>	<u>2,766,504</u>	<u>8,281,626</u>
Net noncurrent assets				
Total assets	<u>5,354,709</u>	<u>1,175,266</u>	<u>3,540,611</u>	<u>10,070,586</u>
Liabilities				
Current liabilities				
Accounts payable	2,139	225	1,618	3,982
Accrued liabilities	5,126	2,966	20,043	28,135
Current portion of long-term debt	120,000	-	50,000	170,000
	<u>127,265</u>	<u>3,191</u>	<u>71,661</u>	<u>202,117</u>
Total current liabilities				
Long-term liabilities				
Bonds payable, net of current portion	380,000	-	970,000	1,350,000
	<u>380,000</u>	<u>-</u>	<u>970,000</u>	<u>1,350,000</u>
Total liabilities	<u>507,265</u>	<u>3,191</u>	<u>1,041,661</u>	<u>1,552,117</u>
Net position				
Net investment in capital assets	4,230,066	785,056	1,746,504	6,761,626
Unrestricted	617,378	387,019	752,446	1,756,843
	<u>4,847,444</u>	<u>1,172,075</u>	<u>2,498,950</u>	<u>8,518,469</u>
Total net position	<u>\$ 4,847,444</u>	<u>\$ 1,172,075</u>	<u>\$ 2,498,950</u>	<u>\$ 8,518,469</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, 2022

	<u>Sewer</u>	<u>Water</u>	<u>Marina</u>	<u>Total</u>
Operating revenue				
Charges for services	\$ 548,453	\$ 232,239	\$ 608,465	\$ 1,389,157
Other	-	25	1,198	1,223
Total operating revenue	<u>548,453</u>	<u>232,264</u>	<u>609,663</u>	<u>1,390,380</u>
Operating expense				
Operations and maintenance	326,942	137,548	386,242	850,732
Administration	56,997	46,998	25,500	129,495
Depreciation	173,849	33,160	113,988	320,997
Total operating expense	<u>557,788</u>	<u>217,706</u>	<u>525,730</u>	<u>1,301,224</u>
Operating income (loss)	<u>(9,335)</u>	<u>14,558</u>	<u>83,933</u>	<u>89,156</u>
Non-operating revenue (expense)				
State grants	1,250	4,800	-	6,050
Interest income	8,216	4,105	12,076	24,397
Interest expense	(10,075)	-	(39,235)	(49,310)
Total non-operating revenue (expense)	<u>(609)</u>	<u>8,905</u>	<u>(27,159)</u>	<u>(18,863)</u>
Income (loss) before transfers	<u>(9,944)</u>	<u>23,463</u>	<u>56,774</u>	<u>70,293</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	(8,669)	16,538	53,919	61,788
Net position, beginning of year	<u>4,856,113</u>	<u>1,155,537</u>	<u>2,445,031</u>	<u>8,456,681</u>
Net position, end of year	<u>\$ 4,847,444</u>	<u>\$ 1,172,075</u>	<u>\$ 2,498,950</u>	<u>\$ 8,518,469</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, 2022

	<u>Sewer</u>	<u>Water</u>	<u>Marina</u>	<u>Total</u>
Cash flows from operating activities				
Receipts from customers and users	\$ 550,804	\$ 240,978	\$ 610,206	\$ 1,401,988
Payments to employees	(124,300)	(109,900)	(160,057)	(394,257)
Payments to suppliers	<u>(260,058)</u>	<u>(72,810)</u>	<u>(249,969)</u>	<u>(582,837)</u>
Net cash provided by (used in) operating activities	<u>166,446</u>	<u>58,268</u>	<u>200,180</u>	<u>424,894</u>
Cash flows from non-capital financing activities				
Transfers in	15,000	6,800	-	21,800
Transfers out	<u>(13,725)</u>	<u>(13,725)</u>	<u>(2,855)</u>	<u>(30,305)</u>
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	(10,075)	-	(39,235)	(49,310)
Principal paid on bonds	(120,000)	-	(45,000)	(165,000)
State grant	1,250	4,800	-	6,050
Acquisitions of capital assets	<u>(32,758)</u>	<u>(37,710)</u>	<u>(61,056)</u>	<u>(131,524)</u>
Net cash provided by (used in) capital and related financing activities	<u>(161,583)</u>	<u>(32,910)</u>	<u>(145,291)</u>	<u>(339,784)</u>
Cash flows from investing activities				
Interest income	<u>8,216</u>	<u>4,105</u>	<u>12,076</u>	<u>24,397</u>
Net increase (decrease) in cash and pooled investments	14,354	22,538	64,110	101,002
Cash and pooled investments, beginning of year	<u>573,281</u>	<u>339,558</u>	<u>709,920</u>	<u>1,622,759</u>
Cash and pooled investments, end of year	<u>\$ 587,635</u>	<u>\$ 362,096</u>	<u>\$ 774,030</u>	<u>\$ 1,723,761</u>
Cash flows from operating activities				
Operating income (loss)	\$ (9,335)	\$ 14,558	\$ 83,933	\$ 89,156
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	173,849	33,160	113,988	320,997
Changes in operating assets and liabilities which provided (used) cash				
Accounts receivable	2,351	8,714	543	11,608
Inventory	-	2,440	-	2,440
Prepaid items	718	716	(77)	1,357
Accounts payable	(3,124)	(2,359)	1,508	(3,975)
Accrued liabilities	<u>1,987</u>	<u>1,039</u>	<u>285</u>	<u>3,311</u>
Net cash provided by (used in) operating activities	<u>\$ 166,446</u>	<u>\$ 58,268</u>	<u>\$ 200,180</u>	<u>\$ 424,894</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, 2022

	Pension Trust
Assets	
Money market funds	\$ 98,845
Investments	
Bond mutual funds	27,886
Other mutual funds	<u>509,900</u>
Total assets	636,631
Liabilities	
Accounts payable	<u>-</u>
Net position	
Net position held in trust for pension benefits	<u>\$ 636,631</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, 2022

	Pension Trust
Additions	
Contributions:	
Employer	\$ 57,524
Employee	7,933
Investment income (loss)	<u>(115,155)</u>
Total additions	(49,698)
Deductions	
Commissions and fees	<u>3,244</u>
Net increase (decrease)	(52,942)
Net position, beginning of year	<u>689,573</u>
Net position, end of year	<u>\$ 636,631</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, 2022

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, 2022

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, 2022

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, 2022

- 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, 2022

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, 2022

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, 2022, 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, 2022, 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, 2022

3. DEPOSITS AND INVESTMENTS

Cash and pooled investments consist of the following at December 31, 2022:

Deposits	\$1,102,321
Investments	2,379,393
Investments held for pension benefits	636,631
Petty cash	299
	<u> </u>
	<u>\$4,118,644</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, \$554,404 of the Village's bank balance of \$1,140,857 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, 2022

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>\$2,379,393</u>	AAAm	S&P
Pension Investments:				
Lord Abbett Funds				
Affiliated A	N/A	93,189	3	Morning Star
Bond Debenture A	N/A	16,003	5	Morning Star
Dividend Growth A	N/A	2,812	3	Morning Star
Multi-asset Balanced Strategy A	N/A	99,922	2	Morning Star
Floating Rate A	N/A	1,427	3	Morning Star
Growth Opportunities A	N/A	79,506	3	Morning Star
Core Fixed Income A	N/A	5,659	3	Morning Star
Fundamental Equity A	N/A	83,896	3	Morning Star
Total Return A	N/A	9,562	3	Morning Star
Value Opportunities A	N/A	10,720	3	Morning Star
Growth Leaders A	N/A	5,194	4	Morning Star
Multi-Asset Income A	N/A	2,995	3	Morning Star
Fundamental Equity F	N/A	27,832	3	Morning Star
Multi-Asset Balanced Opp R6	N/A	46,360	2	Morning Star
Dividend Growth R6	N/A	3,356	3	Morning Star
Fundamental Equity R6	N/A	18,369	3	Morning Star
Bond Debenture R6	N/A	11,883	5	Morning Star
Core Fixed Income R6	N/A	5,741	3	Morning Star
Short Duration Income R6	N/A	1,422	4	Morning Star
Growth Leaders R6	N/A	1,238	5	Morning Star
Growth Opportunities R6	N/A	6,144	3	Morning Star
Floating Rate R6	N/A	3,499	2	Morning Star
Total Return R6	N/A	1,057	3	Morning Star
Money market funds	N/A	<u>98,845</u>	N/A	
Total pension investments		<u>636,631</u>		
Total investments		<u>\$3,016,024</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, 2022

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 \$3,016,024 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, 2022	Additions	Deletions	Balance December 31, 2022
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 infrastructure	5,128,230	85,100	-	5,213,330
Vehicles and equipment	954,502	246,495	94,358	1,106,639
Total capital assets, being depreciated	<u>6,082,732</u>	<u>331,595</u>	<u>94,358</u>	<u>6,319,969</u>
Less accumulated depreciation				
Building and improvements	2,011,387	221,311	-	2,232,698
Vehicles and equipment	845,127	82,799	94,358	833,568
Total accumulated depreciation	<u>2,856,514</u>	<u>304,110</u>	<u>94,358</u>	<u>3,066,266</u>
Net capital assets, being depreciated	<u>3,226,218</u>	<u>27,485</u>	<u>-</u>	<u>3,253,703</u>
Governmental Activities capital assets, net	<u>\$4,397,337</u>	<u>\$27,485</u>	<u>\$ -</u>	<u>\$4,424,822</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	9,429,042	71,426	-	9,500,468
Buildings	161,259	8,509	-	169,768
Seawall and docks	2,886,845	51,589	-	2,938,434
Total capital assets, being depreciated	<u>12,477,146</u>	<u>131,524</u>	<u>-</u>	<u>12,608,670</u>
Less accumulated depreciation				
Mains and equipment	3,755,060	210,168	-	3,965,228
Buildings	130,611	2,293	-	132,904
Seawall and docks	1,204,262	108,536	-	1,312,798
Total accumulated depreciation	<u>5,089,933</u>	<u>320,997</u>	<u>-</u>	<u>5,410,930</u>
Net capital assets, being depreciated	<u>7,387,213</u>	<u>(189,473)</u>	<u>-</u>	<u>7,197,740</u>
Business-type Activities capital assets, net	<u>\$8,471,099</u>	<u>(\$189,473)</u>	<u>\$ -</u>	<u>\$8,281,626</u>

VILLAGE OF SUTTONS BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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

Governmental Activities	
General government	\$44,997
Public safety	-
Public works	196,520
Culture and recreation	<u>62,593</u>
Total depreciation expense, governmental activities	<u>\$304,110</u>
Business-type Activities	
Sewer	\$173,849
Water	33,160
Marina	<u>113,988</u>
Total depreciation expense, business-type activities	<u>\$320,997</u>

5. LONG-TERM DEBT

The following is a summary of the debt transactions of the Village for the year ended December 31, 2022.

	Balance January 1, <u>2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2022</u>	Due Within One Year
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%	\$ 620,000	\$ -	\$120,000	\$ 500,000	\$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%	1,065,000	-	45,000	<u>1,020,000</u>	<u>50,000</u>
Total Business-type Activities	<u>\$1,685,000</u>	<u>\$ -</u>	<u>\$165,000</u>	<u>\$1,520,000</u>	<u>\$170,000</u>

VILLAGE OF SUTTONS BAY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

The annual requirements to amortize all debt outstanding as of December 31, 2022 are as follows:

<u>Year Ending December 31</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 170,000	\$ 46,375
2024	175,000	42,550
2025	175,000	38,644
2026	185,000	34,737
2027	55,000	30,562
2028-2032	305,000	120,564
2033-2037	370,000	58,500
2038	85,000	3,187
Total	\$1,520,000	\$375,119

6. INTERFUND TRANSACTIONS

Transfers in and out for the year ended December 31, 2022 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	\$ 90,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,000
Local streets fund	80,000	-	-	-	-	-	80,000
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
	\$331,900	\$2,855	\$2,855	\$13,725	\$13,725	\$2,855	\$367,915

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, 2022 amounted to \$57,524 and \$7,933, respectively.

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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, 2022

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes and penalties	\$ 746,000	\$ 770,953	\$ 772,169	\$ 1,216
Intergovernmental revenues				
State	62,550	73,250	80,981	7,731
Licenses and permits	5,000	8,000	11,829	3,829
Charges for services	1,500	1,500	2,300	800
Interest and rentals	1,000	4,000	10,110	6,110
Miscellaneous	-	-	4,719	4,719
Total revenues	<u>816,050</u>	<u>857,703</u>	<u>882,108</u>	<u>24,405</u>
Expenditures				
Current				
Legislative-Village Council	26,080	26,080	13,380	12,700
General government				
Village manager	39,185	39,185	37,695	1,490
Clerk	11,770	11,770	9,667	2,103
Treasurer	24,615	24,615	20,101	4,514
Village hall	50,916	59,916	48,602	11,314
Total general government	<u>126,486</u>	<u>135,486</u>	<u>116,065</u>	<u>19,421</u>
Public safety	88,875	88,875	83,798	5,077
Public works				
Department of public works	94,025	95,975	79,472	16,503
Zoning and planning	76,025	74,025	69,110	4,915
Street lighting	14,500	14,500	11,858	2,642
Motor pool	102,725	114,625	100,369	14,256
Motor vehicle leases	(108,975)	(108,975)	(108,975)	-
Total public works	<u>178,300</u>	<u>190,150</u>	<u>151,834</u>	<u>38,316</u>
Culture and recreation	139,875	163,059	161,452	1,607
Total expenditures	<u>559,616</u>	<u>603,650</u>	<u>526,529</u>	<u>77,121</u>
Revenues over (under) expenditures	256,434	254,053	355,579	101,526
Other financing sources (uses)				
Transfers out	(331,900)	(331,900)	(331,900)	-
Net changes in fund balance	(75,466)	(77,847)	23,679	101,526
Fund balance, beginning of year	<u>889,369</u>	<u>889,369</u>	<u>889,369</u>	<u>-</u>
Fund balance, end of year	<u>\$ 813,903</u>	<u>\$ 811,522</u>	<u>\$ 913,048</u>	<u>\$ 101,526</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, 2022

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
Federal	\$ 32,000	\$ 32,000	\$ -	\$ (32,000)
State	82,000	94,000	95,300	1,300
Local	32,500	32,500	37,464	4,964
Interest and rentals	<u>500</u>	<u>500</u>	<u>2,577</u>	<u>2,077</u>
Total revenues	<u>147,000</u>	<u>159,000</u>	<u>135,341</u>	<u>(23,659)</u>
Expenditures				
Public works				
Routine maintenance	77,344	87,844	65,447	22,397
Winter maintenance	58,171	58,171	58,171	-
Sidewalk improvements	15,000	15,000	1,462	13,538
Construction	<u>80,000</u>	<u>80,000</u>	<u>7,050</u>	<u>72,950</u>
Total expenditures	<u>230,515</u>	<u>241,015</u>	<u>132,130</u>	<u>108,885</u>
Revenues over (under) expenditures	<u>(83,515)</u>	<u>(82,015)</u>	<u>3,211</u>	<u>85,226</u>
Other financing sources (uses)				
Transfers in	90,000	90,000	90,000	-
Transfers out	<u>(2,855)</u>	<u>(2,855)</u>	<u>(2,855)</u>	<u>-</u>
Total other financing sources (uses)	<u>87,145</u>	<u>87,145</u>	<u>87,145</u>	<u>-</u>
Net changes in fund balances	3,630	5,130	90,356	85,226
Fund balances, beginning of year	<u>193,321</u>	<u>193,321</u>	<u>193,321</u>	<u>-</u>
Fund balances, end of year	<u>\$ 196,951</u>	<u>\$ 198,451</u>	<u>\$ 283,677</u>	<u>\$ 85,226</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, 2022

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental revenues				
State	\$ 48,000	\$ 59,000	\$ 61,495	\$ 2,495
Interest and rentals	100	300	1,174	874
Miscellaneous	-	3,000	3,610	610
Total revenues	<u>48,100</u>	<u>62,300</u>	<u>66,279</u>	<u>3,979</u>
Expenditures				
Public works				
Routine maintenance	66,437	72,087	57,158	14,929
Winter maintenance	54,023	54,023	54,023	-
Sidewalk improvements	11,000	10,000	9,835	165
Construction	61,000	60,000	48,285	11,715
Total expenditures	<u>192,460</u>	<u>196,110</u>	<u>169,301</u>	<u>26,809</u>
Revenues over (under) expenditures	<u>(144,360)</u>	<u>(133,810)</u>	<u>(103,022)</u>	<u>30,788</u>
Other financing sources (uses)				
Transfers in	80,000	80,000	80,000	-
Transfers out	(2,855)	(2,855)	(2,855)	-
Total other financing sources (uses)	<u>77,145</u>	<u>77,145</u>	<u>77,145</u>	<u>-</u>
Net changes in fund balances	(67,215)	(56,665)	(25,877)	30,788
Fund balances, beginning of year	<u>132,267</u>	<u>132,267</u>	<u>132,267</u>	<u>-</u>
Fund balances, end of year	<u>\$ 65,052</u>	<u>\$ 75,602</u>	<u>\$ 106,390</u>	<u>\$ 30,788</u>

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**INDIVIDUAL FUND
FINANCIAL STATEMENTS**

VILLAGE OF SUTTONS BAY

DOWNTOWN DEVELOPMENT AUTHORITY BALANCE SHEET/STATEMENT OF NET POSITION

DECEMBER 31, 2022

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Cash and pooled investments	\$ 60,459	\$ -	\$ 60,459
Accounts receivable	5,655	-	5,655
Due from other governments	-	-	-
Prepaid items	3	-	3
	<u>66,117</u>	<u>-</u>	<u>66,117</u>
Total assets	<u>66,117</u>	<u>-</u>	<u>66,117</u>
Liabilities and fund balances			
Liabilities			
Accounts payable	12	-	12
Accrued liabilities	167	-	167
	<u>179</u>	<u>-</u>	<u>179</u>
Total liabilities	<u>179</u>	<u>-</u>	<u>179</u>
Fund balances			
Unassigned	<u>65,938</u>	<u>(65,938)</u>	
Total fund balance	<u>65,938</u>	<u>(65,938)</u>	
Total liabilities and fund balances	<u>\$ 66,117</u>		
Net position			
Net investment in capital assets			
Unrestricted		<u>\$ 65,938</u>	<u>\$ 65,938</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, 2022

	General Fund	Adjustments	Statement of Activities
Revenues			
Taxes	\$ 27,127	\$ -	\$ 27,127
Investment earnings	313	-	313
Miscellaneous	351	-	351
	<hr/>	<hr/>	<hr/>
Total revenues	27,791	-	27,791
Expenditures/expenses			
Current			
General government	4,217	-	4,217
	<hr/>	<hr/>	<hr/>
Net changes in fund balance	23,574	(23,574)	
Change in net position		23,574	23,574
Fund balance/net position, beginning of year	<hr/> 42,364		<hr/> 42,364
Fund balance/net position, end of year	<u>\$ 65,938</u>		<u>\$ 65,938</u>