



**CITY OF STURGIS
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Commission
City of Sturgis, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sturgis, Michigan (the "City"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City'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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As stated in Note 18 to the basic financial statements, the City adopted **GASB Statement No. 84 *Fiduciary Activities*** in the fiscal year September 30, 2021, which represents a change in its policy for reporting fiduciary activities. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension and other postemployment benefits information, and budgetary comparison information, as listed in the table of contents, 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 City's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and 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 combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being a simple loop.

Gabridge & Company, PLC
Sturgis, Michigan
March 31, 2022

Management's Discussion and Analysis

City of Sturgis
Management's Discussion and Analysis
September 30, 2021

As management of the *City of Sturgis, Michigan* (the “City” or “government”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

The financial statements, which follow this management’s discussion and analysis, provide these key financial highlights for the current fiscal year as follows:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year September 30, 2021 by \$98,161,213 (net position). Of this, \$54,621,964 was the net investment in capital assets, \$4,721,396 was restricted, and the remaining was unrestricted with a balance of \$38,817,853.
- At the close of the current fiscal year, the City’s governmental funds reported combined fund balances of \$12,822,022, an increase of \$1,073,241 in comparison with the prior year. Approximately 26.4% of this amount, or \$3,386,344, is available for spending at the government’s discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,386,344, or 33.2% of the general fund’s annualized expenditures and transfers out.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

The *statement of net position* presents financial information on all of the City’s assets, deferred outflows, liabilities, and deferred inflows, with the difference 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 City is improving or deteriorating.

The *statement of activities* presents information showing how the City'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 for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences and long-term debt).

Both of the government-wide financial statements distinguish functions of the City 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 City include legislative, general government, public safety, public works, health and welfare, recreation and culture, community and economic development, and interest expense. The business-type activities include the sewer, water, and electric activities.

Component Units

The government-wide financial statements include not only the City itself (known as the primary government), but also the Downtown Development Authority, Brownfield Redevelopment Authority, Local Development Finance Authority, the Economic Development Corporation, and the Building Authority, which are legally separate component units for which the City is financially accountable.

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 City, 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 City 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 City'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.

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 the general fund, which is considered a major fund. Data is combined into a single aggregated presentation for the other governmental funds (nonmajor governmental funds). Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements and schedules.

The City adopts an annual appropriated budget for its general fund and all special revenue funds as required by state law. Budgetary comparison schedules have been provided for the general fund (as required supplemental information).

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, sanitary sewer, and water activities. Internal service funds are accounting devices used to accumulate and allocate costs internally among the City's various functions.

The City utilizes internal service funds to account for its workers' compensation, employee benefits, and motor vehicle and equipment activities. Because these services primarily benefit the City's governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

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 and water operations, which are considered to be major funds of the City. Conversely, the internal service funds are aggregate presentations in the proprietary fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City'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 is limited to this discussion and analysis,

required pension and other postemployment benefit information, and budget and actual presentations. Supplemental information follows the required supplementary information and includes combining and individual fund statements and schedules.

The combining statements referred to earlier in connection with nonmajor governmental, custodial, component unit, and internal service funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$98,161,213 at the close of the most recent fiscal year. The following chart illustrates the composition of net position:

City of Sturgis' Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 18,667,423	\$ 16,518,271	\$ 23,489,909	\$ 22,001,866	\$ 42,157,332	\$ 38,520,137
Receivables	375,913	353,347	3,878,977	4,412,013	4,254,890	4,765,360
Inventory and Prepaid Items	94,100	173,299	2,936,402	2,875,218	3,030,502	3,048,517
Total Current Assets	19,137,436	17,044,917	30,305,288	29,289,097	49,442,724	46,334,014
<i>Noncurrent Assets</i>						
Restricted Assets	-	-	187,549	184,446	187,549	184,446
Net Pension Asset	2,736,783	74,735	1,824,522	49,823	4,561,305	124,558
Net Other Postemployment Benefit Asset	570,886	-	180,280	-	751,166	-
Capital Assets, Net	22,262,306	20,148,168	41,337,581	42,773,223	63,599,887	62,921,391
Long-term Receivables	-	-	1,566,886	1,700,000	1,566,886	1,700,000
Total Assets	44,707,411	37,267,820	75,402,106	73,996,589	120,109,517	111,264,409
DEFERRED OUTFLOWS OF RESOURCES						
Pension	296,605	57,295	197,736	38,197	494,341	95,492
OPEB	337,978	658,880	106,729	208,067	444,707	866,947
Total Deferred Outflows of Resources	634,583	716,175	304,465	246,264	939,048	962,439
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	1,258,735	713,297	1,850,518	1,548,395	3,109,253	2,261,692
Accrued Expenses and Other Liabilities	295,771	271,837	511,504	679,623	807,275	951,460
Unearned Revenue	174,462	131,756	-	-	174,462	131,756
Current Portion of Long-term Debt	223,761	146,389	825,901	803,127	1,049,662	949,516
Total Current Liabilities	1,952,729	1,263,279	3,187,923	3,031,145	5,140,652	4,294,424
<i>Noncurrent Liabilities</i>						
Compensated Absences	717,182	690,420	277,000	277,000	994,182	967,420
Net OPEB Liability	-	804,330	-	254,000	-	1,058,330
Net Pension Liability	-	-	-	-	-	-
Long-term Debt	1,926,478	960,474	6,001,783	6,827,505	7,928,261	7,787,979
Total Liabilities	4,596,389	3,718,503	9,466,706	10,389,650	14,063,095	14,108,153
DEFERRED INFLOWS OF RESOURCES						
Pension	2,482,281	243,072	1,654,855	162,047	4,137,136	405,119
OPEB	1,537,386	1,254,949	485,491	396,301	2,022,877	1,651,250
Unavailable Revenue	2,664,244	2,315,479	-	-	2,664,244	2,315,479
Total Deferred Inflows of Resources	6,683,911	3,813,500	2,140,346	558,348	8,824,257	4,371,848
NET POSITION						
Net Investment in Capital Assets	20,112,067	19,041,305	34,509,897	35,142,591	54,621,964	54,183,896
<i>Restricted</i>	4,533,847	4,064,188	187,549	62,285	4,721,396	4,126,473
<i>Unrestricted</i>	9,415,780	7,346,499	29,402,073	28,089,979	38,817,853	35,436,478
Total Net Position	\$ 34,061,694	\$ 30,451,992	\$ 64,099,519	\$ 63,294,855	\$ 98,161,213	\$ 93,746,847

A large portion of the City's net position (\$54,621,964, or 55.6%) reflect its net investment in capital assets (e.g., land and land improvements, construction in process, buildings and improvements, water, and sewer systems, vehicles, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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. Net position restricted for highways and streets, capital projects, perpetual care, and debt service represents \$4,721,396, or 4.8%. The remaining balance of unrestricted net position was \$38,817,853, or 39.6%, as of September 30, 2021.

Cash and investments increased by \$3,637,195 as there was an increase in federal and state funding, along with an increase in net operating results. Receivables decreased by \$510,470 due to timing of payments of utility bills and property taxes. The City's net pension Asset and related deferrals increased by a net of \$1,103,579 due to increased investment performance and other results. The City's net OPEB liability changed from a liability to a net asset due to investment and other operating results. Accounts payable increased by \$847,561 due to timing of bills received at year end. Capital assets and long-term debt increased due to the issuance of an installment purchase agreement to fund the purchase of fire truck.

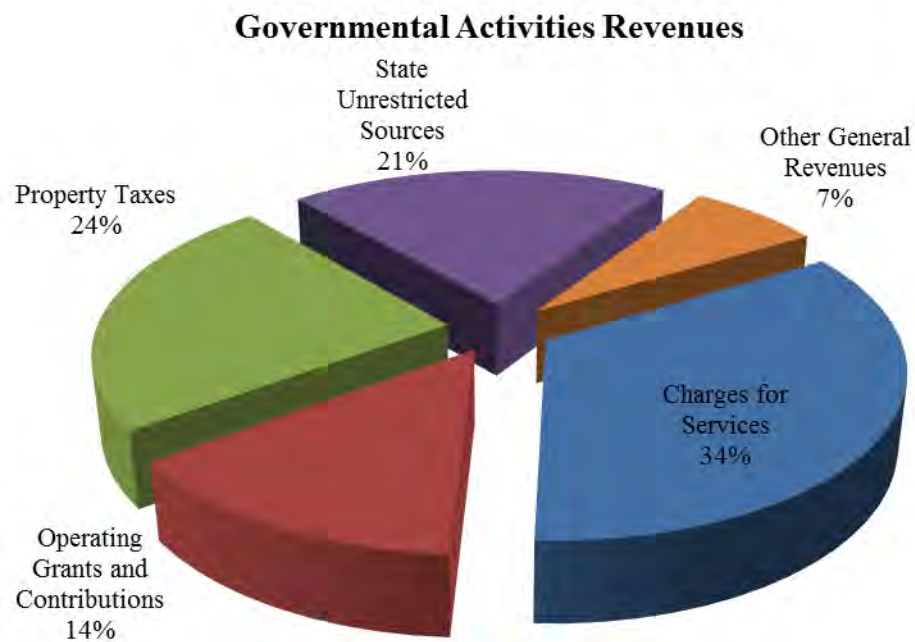
The following table presents a summary of the changes in net position for the years ended September 30, 2021 and September 30, 2020:

City of Sturgis' Changes in Net Position

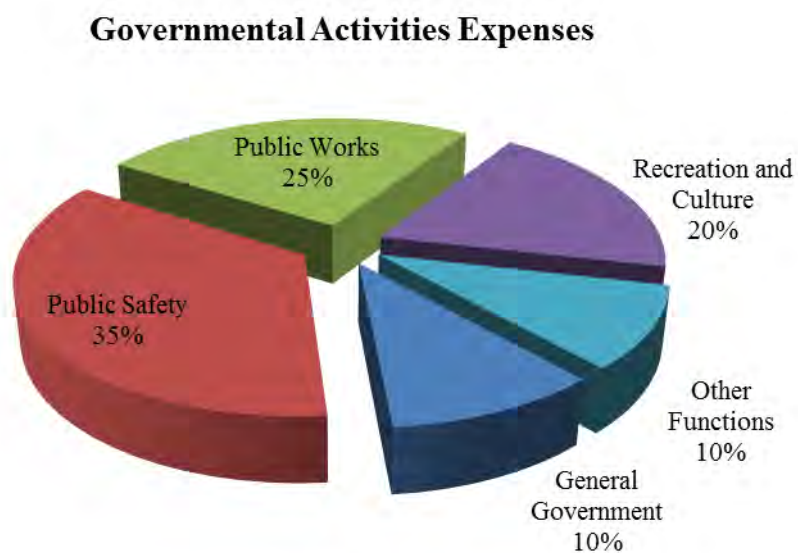
	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues						
Charges for Services	\$ 5,075,381	\$ 5,102,691	\$ 28,960,322	\$ 31,922,134	\$ 34,035,703	\$ 37,024,825
Operating Grants and Contributions	2,088,644	1,930,535	-	-	2,088,644	1,930,535
Total Program Revenues	7,164,025	7,033,226	28,960,322	31,922,134	36,124,347	38,955,360
General Revenues						
Property Taxes	3,514,369	3,470,447	-	-	3,514,369	3,470,447
State Unrestricted Sources	3,042,371	2,776,738	-	-	3,042,371	2,776,738
Unrestricted Investment Earnings	212,964	213,956	(7,017)	441,308	205,947	655,264
Other General Revenues	834,232	305,335	-	-	834,232	305,335
Total General Revenues	7,603,936	6,766,476	(7,017)	441,308	7,596,919	7,207,784
Total Revenues	14,767,961	13,799,702	28,953,305	32,363,442	43,721,266	46,163,144
Expenses						
Legislative	12,067	28,324	-	-	12,067	28,324
General Government	1,060,014	1,643,966	-	-	1,060,014	1,643,966
Public Safety	3,903,431	4,280,021	-	-	3,903,431	4,280,021
Public Works	2,856,717	2,393,752	-	-	2,856,717	2,393,752
Recreation and Culture	2,083,748	1,967,920	-	-	2,083,748	1,967,920
Health and Welfare	55,020	1,500	-	-	55,020	1,500
Community and Economic Development	1,020,952	301,922	-	-	1,020,952	301,922
Interest on Long-term Debt	48,470	43,423	-	-	48,470	43,423
Electric, Sewer, and Water	-	-	28,266,481	28,389,304	28,266,481	28,389,304
Total Expenses	11,040,419	10,660,828	28,266,481	28,389,304	39,306,900	39,050,132
Change in Net Position before Transfers	3,727,542	3,138,874	686,824	3,974,138	4,414,366	7,113,012
Net Transfers	(117,840)	(138,040)	117,840	138,040	-	-
Change in Net Position	3,609,702	3,000,834	804,664	4,112,178	4,414,366	7,113,012
<i>Net Position at Beginning of Period</i>	<i>30,451,992</i>	<i>27,451,158</i>	<i>63,294,855</i>	<i>59,182,677</i>	<i>93,746,847</i>	<i>86,633,835</i>
Net Position at End of Period	\$ 34,061,694	\$ 30,451,992	\$ 64,099,519	\$ 63,294,855	\$ 98,161,213	\$ 93,746,847

Governmental Activities. Governmental activities increased the City's net position by \$3,609,702 for the year ended September 30, 2021 compared to an increase of \$3,000,834 for the prior year. Total revenues increased by \$968,259 and total expenses increased by \$379,591. Charges for services decreased by \$27,310 and operating grants and contributions increased by \$158,109 due to the COVID-19 Pandemic and grant opportunities. Unrestricted state revenues also increased in the current year by \$265,633 due to the higher-than-expected revenues received at the State level along with sale of lots in the City that resulted in an increase of \$528,897 in other revenues. Expenditures increased by \$379,591, due in part to the net pension and OPEB assets increasing due to investment performance and other factors leading to a decrease in general government and public safety expenses. Public works expenses increased due to increased activity in the streets and sidewalk funds, and community and economic development expense increased due to funding of the purchase of lots for the purpose of future industrial development.

The following chart summarizes the revenue sources for the governmental activities of the City for the most recent fiscal year-end:



The following chart summarizes the expenses for the governmental activities of the City for the most recent fiscal year-end:



Business-type Activities. Business-type activities increased the City's net position by \$804,664 for the year ended September 30, 2021 compared to an increase of \$4,112,178 in the prior year.

Key components of this change are as follows:

- The electric fund had a decrease in net position of \$149,586, due to increased operating cost over the prior year primarily due to a significant storm event..
- The sanitary sewer fund had an increase in net position of \$884,365 which is comparable with prior year.
- The water fund had an increase in net position of \$69,885 which was mainly due to the regular operations of the fund and comparable to the prior year.

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Commission.

At September 30, 2021, the City's governmental funds reported combined fund balances of \$12,822,022, an increase of \$1,073,241 in comparison with the prior year. Approximately 26.4% of this amount, or \$3,386,344, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable* or *restricted* to indicate that it is: 1) not in spendable form, (\$152,070, or 1.2%, for prepaid and inventory items and nonexpendable endowments), 2) restricted for particular purposes, \$4,388,011, or 34.2%, 3) assigned for specific purposes, \$130,779, or 1.0%, or 4) committed for specific purposes, \$4,764,818, or 37.2%.

General Fund - The general fund is the main operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,386,344 which was an increase in fund balance of \$307,219. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 33.2% of total general fund expenditures and transfers out.

General Fund Budgetary Highlights

Original budget compared to final budget. There were no significant increases or decreases to the original budgeted appropriations or estimated revenues during the year. Minor adjustments were made in various functions to better allocate costs.

Final budget compared to actual results. The City had the following minor expenditure in excess of the amount appropriated during the year ended September 30, 2021:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Health and Welfare	\$ 50,100	\$ 55,020	\$ (4,920)

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2021 amounted to \$63,599,887 (net of accumulated depreciation). Of this amount, \$22,262,306 was for its governmental activities and \$41,337,581 was for its business-type activities. This investment in capital assets includes land and land improvements, construction in process, buildings and improvements, equipment and vehicles, and infrastructure.

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

Long-term Debt

Debt incurred in the course of constructing or acquiring a capital asset is recorded and paid for from a debt service fund, enterprise fund, or internal service fund. Debt is classified as long-term if the debt matures in a period greater than one year. The City made principal payments of \$976,012 and issued \$1,216,441 of new debt during the current fiscal year.

Additional information on the City's long-term debt can be found in note 7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The City of Sturgis serves approximately 11,000 residents and is located just north of the Michigan-Indiana border in St. Joseph County. The local economic base includes a variety of mid-sized and small manufacturers, a hospital, schools, and service providers. The City is currently experiencing growth in marijuana industries, both in the medical and recreational sectors, as well as significant investment in the manufacturing sector.

In 2012 the City embarked upon the Sturgis 2022 initiative to create a vision for the future of Sturgis that could be embraced by the whole community. After reviewing all the feedback, the Commission adopted two focus areas to help guide future improvements in Sturgis. The two focus

areas identified Sturgis as a “Great Place to Do Business” and a “Community of Choice”. Nine specific goals were established to measure success in achieving these two focus areas.

The City Commission has adopted a conservative budget for 2021-2022. This includes a decrease in fund balance for all governmental funds of \$1,176,886 or 13.7 percent of total beginning fund balances, primarily due to capital project funding, street projects, start-up of an ambulance service, as well as maintenance of the City’s current below-maximum tax levy. The City has maintained stable financial operations and strong general fund reserves which provide flexibility in the wake of uncertain economic times and legislative actions.

The City is anticipating a modest increase in property tax revenue in this next budget cycle. The effect of decreased personal property tax is mitigated by state reimbursement to municipalities for a portion of the lost tax revenue via the Local Community Stabilization Authority. The property tax base consists of 50 percent residential, 19 percent industrial, 22 percent commercial and 9 percent personal. State revenue sharing is increased 17 percent from the previous year. The PILOT, which is paid to the general fund from the utility funds, is flat due to steady utility revenue. Investment earnings are expected to remain low due to anticipated interest rates of return on fixed income investments.

The City’s charter, adjusted for Headlee rollback, allows for the assessment of 11.8477 mils on the taxable value of each property. The City levied an operating millage of 10.4623 mils, which compares favorably to other like cities in southwest Michigan. For 2021, the inflation rate multiplier which is applied to taxable values is 1.033 percent compared to 1.014 percent in 2021.

Requests for Information

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City’s Controller’s office at:

Treasurer’s Office
City of Sturgis
130 N. Nottawa St.
Sturgis, Michigan, 49091

Basic Financial Statements

City of Sturgis
Statement of Net Position
September 30, 2021

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 18,667,423	\$ 23,489,909	\$ 42,157,332	\$ 1,060,433
Accounts Receivable	53,427	3,524,206	3,577,633	4,809
Notes Receivable	--	62,929	62,929	--
Taxes Receivable	136,956	--	136,956	21,891
Special Assessments Receivable	29,160	--	29,160	--
Lease Receivable	--	--	--	385,000
Interest Receivable	13,532	291,842	305,374	--
Inventory	3,541	1,861,938	1,865,479	--
Prepaid Items	90,559	1,074,464	1,165,023	2,842
Due from Other Governmental Units	142,838	--	142,838	--
Total Current Assets	19,137,436	30,305,288	49,442,724	1,474,975
<i>Noncurrent Assets</i>				
Restricted Assets	--	187,549	187,549	--
Long-term Notes Receivable	--	1,566,886	1,566,886	--
Long-term Lease Receivable	--	--	--	6,755,000
Net Pension Asset	2,736,783	1,824,522	4,561,305	--
Capital Assets not being Depreciated	2,786,090	1,849,309	4,635,399	68,306
Capital Assets being Depreciated	19,476,216	39,488,272	58,964,488	55,677
Net OPEB Asset	570,886	180,280	751,166	--
Total Assets	44,707,411	75,402,106	120,109,517	8,353,958
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	296,605	197,736	494,341	--
OPEB Related	337,978	106,729	444,707	--
Total Deferred Outflows of Resources	634,583	304,465	939,048	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	1,258,735	1,850,518	3,109,253	9,934
Accrued Expenses	294,883	192,646	487,529	1,300
Accrued Interest	--	30,958	30,958	209,188
Customer Deposits	888	287,900	288,788	--
Unearned Revenue	174,462	--	174,462	4,931
Current Portion of Long-term Debt	223,761	825,901	1,049,662	398,275
Total Current Liabilities	1,952,729	3,187,923	5,140,652	623,628
<i>Noncurrent Liabilities</i>				
Compensated Absences	717,182	277,000	994,182	--
Long-term Debt	1,926,478	6,001,783	7,928,261	8,376,075
Total Liabilities	4,596,389	9,466,706	14,063,095	8,999,703
DEFERRED INFLOWS OF RESOURCES				
Pension Related	2,482,281	1,654,855	4,137,136	--
OPEB Related	1,537,386	485,491	2,022,877	--
Taxes Levies for Subsequent Period	2,664,244	--	2,664,244	118,873
Total Deferred Inflows of Resources	6,683,911	2,140,346	8,824,257	118,873
NET POSITION				
Net Investment in Capital Assets	20,112,067	34,509,897	54,621,964	68,306
<i>Restricted for:</i>				
Debt Service	--	187,549	187,549	--
Streets	3,885,941	--	3,885,941	--
Cemetery Trust	502,070	--	502,070	--
Nonexpendable Endowments	145,836	--	145,836	--
<i>Unrestricted</i>	9,415,780	29,402,073	38,817,853	(832,924)
Total Net Position	\$ 34,061,694	\$ 64,099,519	\$ 98,161,213	\$ (764,618)

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Sturgis
Statement of Activities
For the year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental Activities:								
Legislative	\$ 12,067	\$ --	\$ --	\$ --	\$ (12,067)	\$ --	\$ (12,067)	\$ --
General Government	1,060,014	4,255,497	121,928	--	3,317,411	--	3,317,411	--
Public Safety	3,903,431	127,069	3,540	--	(3,772,822)	--	(3,772,822)	--
Public Works	2,856,717	198,019	1,636,429	--	(1,022,269)	--	(1,022,269)	--
Health and Welfare	55,020	--	--	--	(55,020)	--	(55,020)	--
Recreation and Culture	2,083,748	494,796	246,392	--	(1,342,560)	--	(1,342,560)	--
Community and Economic Development	1,020,952	--	80,355	--	(940,597)	--	(940,597)	--
Interest on Long-term Debt	48,470	--	--	--	(48,470)	--	(48,470)	--
Total Governmental Activities	11,040,419	5,075,381	2,088,644	--	(3,876,394)	--	(3,876,394)	--
Business-type Activities:								
Electric	23,705,615	23,538,281	--	--	--	(167,334)	(167,334)	--
Sanitary Sewer	2,791,158	3,590,331	--	--	--	799,173	799,173	--
Water	1,769,708	1,831,710	--	--	--	62,002	62,002	--
Total Business-type Activities	28,266,481	28,960,322	--	--	--	693,841	693,841	--
Total Primary Government	\$ 39,306,900	\$ 34,035,703	\$ 2,088,644	\$ --	(3,876,394)	693,841	(3,182,553)	--
Component Units								
Brownfield Redevelopment Authority	\$ 146,940	\$ --	\$ --	\$ --	--	--	--	(146,940)
Local Development Finance Authority	--	--	--	--	--	--	--	--
Building Authority	291,613	291,863	--	--	--	--	--	250
Downtown Development Authority	103,171	36,591	--	--	--	--	--	(66,580)
Economic Development Corporation	100,000	--	--	--	--	--	--	(100,000)
Total Component Units	\$ 641,724	\$ 328,454	\$ --	\$ --	--	--	--	(313,270)
General Purpose Revenues and Transfers:								
Revenues								
Property Taxes					3,514,369	--	3,514,369	242,689
Investment Income (Loss)					212,964	(7,017)	205,947	739
State Sources					3,042,371	--	3,042,371	51,685
Local Contributions					--	--	--	715,621
Gain on Sale of Assets					834,232	--	834,232	--
Transfers					(117,840)	117,840	--	--
Total General Revenues and Transfers					7,486,096	110,823	7,596,919	1,010,734
Change in Net Position					3,609,702	804,664	4,414,366	697,464
Net Position at Beginning of Period					30,451,992	63,294,855	93,746,847	(1,462,082)
Net Position at End of Period					\$ 34,061,694	\$ 64,099,519	\$ 98,161,213	\$ (764,618)

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of Sturgis
Balance Sheet
Governmental Funds
September 30, 2021**

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 6,261,637	\$ 10,403,698	\$ 16,665,335
Accounts Receivable	31,322	7,105	38,427
Taxes Receivable	106,856	30,100	136,956
Special Assessments Receivable	18,766	10,394	29,160
Interest Receivable	13,532	--	13,532
Inventory	--	1,640	1,640
Prepaid Items	--	4,594	4,594
Due from Other Governmental Units	18,515	124,323	142,838
<i>Total Assets</i>	<u>\$ 6,450,628</u>	<u>\$ 10,581,854</u>	<u>\$ 17,032,482</u>
LIABILITIES			
Accounts Payable	\$ 153,932	\$ 975,575	\$ 1,129,507
Accrued Expenses	193,507	47,852	241,359
Customer Deposits	--	888	888
Unearned Revenue	65,638	108,824	174,462
<i>Total Liabilities</i>	<u>413,077</u>	<u>1,133,139</u>	<u>1,546,216</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes Levied for Subsequent Period	2,651,207	13,037	2,664,244
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>3,064,284</u>	<u>1,146,176</u>	<u>4,210,460</u>
FUND BALANCE			
Nonspendable	--	152,070	152,070
Restricted	--	4,388,011	4,388,011
Committed	--	4,764,818	4,764,818
Assigned	--	130,779	130,779
Unassigned	3,386,344	--	3,386,344
<i>Total Fund Balance</i>	<u>3,386,344</u>	<u>9,435,678</u>	<u>12,822,022</u>
<i>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</i>	<u>\$ 6,450,628</u>	<u>\$ 10,581,854</u>	<u>\$ 17,032,482</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Sturgis
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2021

Total Fund Balance - Governmental Funds	\$ 12,822,022
Net position of internal service funds that are treated as proprietary in the fund level statements are treated as governmental in the entity-wide statements.	3,490,952
General government capital assets of \$39,395,326, net of accumulated depreciation of \$20,299,041, are not financial resources and, accordingly, are not reported in the funds.	19,096,285
The net pension asset is not receivable in the current period; therefore, the asset and related deferred inflows/outflows are not reported in the funds.	551,107
Compensated absences are not due in and payable in the current period and, therefore, are not reported in the funds.	(717,182)
The net OPEB asset is not receivable in the current period; therefore, the asset and related deferred inflows/outflows are not reported in the funds.	(628,522)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(552,968)
Total Net Position - Governmental Activities	\$ <u>34,061,694</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Sturgis
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the year Ended September 30, 2021

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$ 2,545,399	\$ 968,970	\$ 3,514,369
Licenses and Permits	99,205	100,688	199,893
Federal Sources	97,213	98,042	195,255
State Sources	2,834,013	1,848,327	4,682,340
Charges for Services	4,051,017	616,544	4,667,561
Fines and Forfeits	11,489	--	11,489
Local Contributions	31,987	211,639	243,626
Rental Income	9,923	81,552	91,475
Other	83,939	30,818	114,757
Investment Income	21,294	175,998	197,292
Total Revenues	9,785,479	4,132,578	13,918,057
Expenditures			
Legislative	40,748	--	40,748
General Government	1,345,858	308,370	1,654,228
Public Safety	4,570,211	128,398	4,698,609
Public Works	726,363	3,369,813	4,096,176
Health and Welfare	55,020	--	55,020
Recreation and Culture	603,586	1,163,260	1,766,846
Community and Economic Development	921,375	99,577	1,020,952
Debt Service - Principal	13,636	67,020	80,656
Debt Service - Interest	4,690	24,672	29,362
Total Expenditures	8,281,487	5,161,110	13,442,597
Excess of Revenues Over (Under) Expenditures	1,503,992	(1,028,532)	475,460
Other Financing Sources (Uses)			
Sale of Land	715,621	--	715,621
Transfers In	--	2,411,977	2,411,977
Transfers Out	(1,912,394)	(617,423)	(2,529,817)
Net Other Financing Sources (Uses)	(1,196,773)	1,794,554	597,781
Net Change in Fund Balance	307,219	766,022	1,073,241
Fund Balance at Beginning of Period	3,079,125	8,669,656	11,748,781
Fund Balance at End of Period	\$ 3,386,344	\$ 9,435,678	\$ 12,822,022

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Sturgis
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the year Ended September 30, 2021

Total Net Change in Fund Balances - Governmental Funds	\$ 1,073,241
Changes in net position of internal service funds that are treated as enterprise fund changes in net position in the fund level statements are treated as governmental fund changes in net position in the entity-wide statements.	375,688
Governmental fund report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$2,428,264 exceeds depreciation expense of \$1,755,411.	672,853
Change to compensated absences are not shown in the fund financial statements. The net effect of the current year increase is to decrease net position.	(26,762)
The statement of activities reports changes to net pension asset and pension related deferrals as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions.	662,149
The statement of activities reports changes to net OPEB asset and OPEB related deferrals as OPEB expense; however, the expenditures recorded on the governmental funds equals actual OPEB contributions.	771,877
Current year long-term debt principal payments on contractual obligations, bonds payable, and capital leases are expenditures in the fund financial statements but are reductions in long-term debt in the government-wide financial statements. In addition, amortization of bond premium are reductions in long-term debt in the government-wide financial statements.	80,656
Changes in Net Position - Governmental Activities	\$ <u>3,609,702</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Sturgis
Statement of Net Position
Proprietary Funds
September 30, 2021

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Electric	Sanitary Sewer	Water	Total Enterprise Funds	
ASSETS					
<i>Current Assets</i>					
Cash and Investments	\$ 16,835,329	\$ 4,817,715	\$ 1,836,865	\$ 23,489,909	\$ 2,002,088
Accounts Receivable	2,970,738	379,281	174,187	3,524,206	15,000
Notes Receivable	62,929	--	--	62,929	--
Interest Receivable	291,842	--	--	291,842	--
Inventory	1,734,145	46,534	81,259	1,861,938	1,901
Prepaid Items	1,074,459	3	2	1,074,464	85,965
Total Current Assets	22,969,442	5,243,533	2,092,313	30,305,288	2,104,954
<i>Noncurrent Assets</i>					
Restricted Assets	78,549	109,000	--	187,549	--
Long-term Notes Receivable	1,566,886	--	--	1,566,886	--
Net Pension Asset	1,459,618	273,678	91,226	1,824,522	--
Capital Assets not being Depreciated	1,235,500	346,167	267,642	1,849,309	1,216,441
Capital Assets being Depreciated	19,609,655	14,396,382	5,482,235	39,488,272	1,949,580
Net OPEB Asset	142,722	22,535	15,023	180,280	--
Advances Due from Other Funds	1,262,999	--	--	1,262,999	--
Total Assets	48,325,371	20,391,295	7,948,439	76,665,105	5,270,975
DEFERRED OUTFLOWS OF RESOURCES					
Pension Related	158,189	29,660	9,887	197,736	--
OPEB Related	84,494	13,341	8,894	106,729	--
Total Deferred Outflows of Resources	242,683	43,001	18,781	304,465	--
LIABILITIES					
<i>Current Liabilities</i>					
Accounts Payable	1,522,065	160,912	167,541	1,850,518	129,228
Accrued Expenses	156,410	21,106	15,130	192,646	53,524
Accrued Interest	25,522	2,718	2,718	30,958	--
Customer Deposits	287,900	--	--	287,900	--
Current Portion of Long-term Debt	198,741	546,080	81,080	825,901	140,508
Total Current Liabilities	2,190,638	730,816	266,469	3,187,923	323,260
<i>Noncurrent Liabilities</i>					
Compensated Absences	215,000	51,000	11,000	277,000	--
Long-term Debt	862,673	4,736,696	402,414	6,001,783	1,456,763
Advances Due To Other Funds	--	--	1,262,999	1,262,999	--
Total Liabilities	3,268,311	5,518,512	1,942,882	10,729,705	1,780,023
DEFERRED INFLOWS OF RESOURCES					
Pension Related	1,323,884	248,228	82,743	1,654,855	--
OPEB Related	384,347	60,686	40,458	485,491	--
Total Deferred Inflows of Resources	1,708,231	308,914	123,201	2,140,346	--
NET POSITION					
Net Investment in Capital Assets	19,783,741	9,459,773	5,266,383	34,509,897	1,568,750
<i>Restricted for:</i>					
Debt Service	78,549	109,000	--	187,549	--
<i>Unrestricted</i>	23,729,222	5,038,097	634,754	29,402,073	1,922,202
Total Net Position	\$ 43,591,512	\$ 14,606,870	\$ 5,901,137	\$ 64,099,519	\$ 3,490,952

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Sturgis
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the year Ended September 30, 2021

	Business-type Activities - Enterprise Funds				Governmental Activities
	Electric	Sanitary Sewer	Water	Total Enterprise Funds	Internal Service Funds
Operating Revenues					
Charges for Services	\$ 22,758,159	\$ 3,529,574	\$ 1,780,302	\$ 28,068,035	\$ 3,903,920
Total Operating Revenues	<u>22,758,159</u>	<u>3,529,574</u>	<u>1,780,302</u>	<u>28,068,035</u>	<u>3,903,920</u>
Operating Expenses					
Material, Maintenance, and Other	17,052,896	789,468	772,821	18,615,185	420,165
General and Administrative	2,384,628	682,896	375,806	3,443,330	155,672
Payments in Lieu of Taxes	2,331,480	229,320	105,360	2,666,160	--
Depreciation	1,874,557	962,453	491,872	3,328,882	481,822
Insurance Premiums and Claims	--	--	--	--	2,585,748
Total Operating Expenses	<u>23,643,561</u>	<u>2,664,137</u>	<u>1,745,859</u>	<u>28,053,557</u>	<u>3,643,407</u>
Operating Income (Loss)	<u>(885,402)</u>	<u>865,437</u>	<u>34,443</u>	<u>14,478</u>	<u>260,513</u>
Non-Operating Revenues (Expenses)					
Investment Income (Loss)	(62,292)	47,392	9,487	(5,413)	15,672
Gain on Sale of Assets	--	--	--	--	118,611
Rental Income	99,593	1,592	2,354	103,539	--
Other Revenue	680,529	59,165	47,450	787,144	--
Interest Expense	(62,054)	(127,021)	(23,849)	(212,924)	(19,108)
Net Non-Operating Revenues (Expenses)	<u>655,776</u>	<u>(18,872)</u>	<u>35,442</u>	<u>672,346</u>	<u>115,175</u>
Income Before Contributions and Transfers	<u>(229,626)</u>	<u>846,565</u>	<u>69,885</u>	<u>686,824</u>	<u>375,688</u>
Transfers In	80,040	37,800	--	117,840	50,000
Transfers Out	--	--	--	--	(50,000)
Change In Net Position	<u>(149,586)</u>	<u>884,365</u>	<u>69,885</u>	<u>804,664</u>	<u>375,688</u>
<i>Net Position at Beginning of Period</i>	<u>43,741,098</u>	<u>13,722,505</u>	<u>5,831,252</u>	<u>63,294,855</u>	<u>3,115,264</u>
Net Position at End of Period	<u>\$ 43,591,512</u>	<u>\$ 14,606,870</u>	<u>\$ 5,901,137</u>	<u>\$ 64,099,519</u>	<u>\$ 3,490,952</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Sturgis
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2021

	Business-type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Electric	Sanitary Sewer	Water	Total Enterprise Funds	
Cash Flows from Operating Activities					
Cash Received from Interfund Services	\$ --	\$ --	\$ --	\$ --	\$ 3,973,366
Cash Received from Customers and Users	23,309,041	3,540,135	1,801,327	28,650,503	--
Cash Payments to Employees and Suppliers	(22,329,954)	(1,765,687)	(1,272,278)	(25,367,919)	(3,071,875)
Net Cash Provided by Operating Activities	979,087	1,774,448	529,049	3,282,584	901,491
Cash Flows from Capital and Related Financing Activities					
Purchase of Capital Assets	(1,214,972)	(335,634)	(342,634)	(1,893,240)	(1,923,107)
Sale of Capital Assets	--	--	--	--	118,611
Principal and Interest Paid on Long-term Debt	(258,094)	(662,903)	(99,730)	(1,020,727)	1,104,924
Net Cash Used by Capital and Related Financing Activities	(1,473,066)	(998,537)	(442,364)	(2,913,967)	(699,572)
Cash Flows from Noncapital Financing Activities					
Interfund Advances	(941,630)	--	941,630	--	--
Transfers In	80,040	37,800	--	117,840	--
Rental Income	99,593	1,592	2,354	103,539	--
Other Non-operating Revenue	680,529	59,165	47,450	787,144	--
Net Cash Provided (Used) by Noncapital Financing Activities	(81,468)	98,557	991,434	1,008,523	--
Cash Flows from Investing Activities					
Investment Income	(62,292)	47,392	9,487	(5,413)	15,672
Collection on Notes Receivable and Related Interest Receivable	119,419	--	--	119,419	--
Change in Restricted Assets	(3,103)	--	--	(3,103)	--
Net Cash Provided by Investing Activities	54,024	47,392	9,487	110,903	15,672
Net Increase (Decrease) in Cash and Investments	(521,423)	921,860	1,087,606	1,488,043	217,591
<i>Cash and Investments - Beginning of Year</i>	<i>17,356,752</i>	<i>3,895,855</i>	<i>749,259</i>	<i>22,001,866</i>	<i>1,784,497</i>
Cash and Investments - End of Year	\$ 16,835,329	\$ 4,817,715	\$ 1,836,865	\$ 23,489,909	\$ 2,002,088
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating Income (Loss)	\$ (885,402)	\$ 865,437	\$ 34,443	\$ 14,478	\$ 260,513
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities					
Depreciation Expense	1,874,557	962,453	491,872	3,328,882	481,822
Changes in Assets, Liabilities, and Related Deferrals					
Accounts Receivable	515,145	10,561	21,025	546,731	69,446
Inventory	(48,651)	4,987	(17,529)	(61,193)	--
Prepaid Items	14	(3)	(2)	9	53,735
Accounts Payable	228,696	27,604	45,823	302,123	35,934
Accrued Expenses	(194,894)	93	(4,200)	(199,001)	41
Customer Deposits	35,737	--	--	35,737	--
Net Pension Asset/Liability & Related Deferrals	(353,145)	(66,214)	(22,071)	(441,430)	--
Other Post-Employment Benefits Liability & Related Deferral	(192,970)	(30,470)	(20,312)	(243,752)	--
Net Cash Provided by Operating Activities	\$ 979,087	\$ 1,774,448	\$ 529,049	\$ 3,282,584	\$ 901,491

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Sturgis
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2021

	Pension and Benefit Trust	Custodial
ASSETS		
Cash and Investments	\$ 14,199	\$ 2,089,821
Interest Receivable	60,921	--
Due from Brokers	91,194	--
Investments		
Fixed Income	10,328,740	--
Equities	33,969,858	--
Exchange Traded Funds	764,636	--
MERS Total Market	9,842,280	--
Total Investments	54,905,514	--
Total Assets	55,081,645	2,089,821
LIABILITIES		
Due to Other Governmental Units	--	2,089,821
Due to Brokers	85,980	--
Total Liabilities	85,980	2,089,821
NET POSITION		
Restricted for:		
Retirement Benefits	\$ 54,995,665	\$ --

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Sturgis
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year Ended September 30, 2021

	<u>Pension and Benefit Trust</u>	<u>Custodial</u>
Additions		
Contributions		
Employer	\$ 802,506	\$ --
Employee/Retiree	595,335	--
Total Contributions	<u>1,397,841</u>	<u>--</u>
Investment Income		
Net Appreciation in Fair Value of Investments	8,393,252	--
Interest and Dividends	819,130	--
Less: Investment Expense	(252,272)	--
Net Investment Income	<u>8,960,110</u>	<u>--</u>
Other Additions		
Property Taxes Collected for Other Governments	--	8,635,532
Total Additions	<u>10,593,009</u>	<u>8,635,532</u>
Deductions		
Benefits	2,674,579	--
Refunds	17,235	--
Administrative Expense	305,523	--
Property Taxes Disbursed to Other Governments	--	8,635,532
Total Deductions	<u>2,997,337</u>	<u>8,635,532</u>
Change in Net Position	<u>7,595,672</u>	<u>--</u>
<i>Net Position at Beginning of Period</i>	47,399,993	--
Net Position at End of Period	<u>\$ 54,995,665</u>	<u>\$ --</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Sturgis
Combining Statement of Net Position
Component Units
September 30, 2021

	Brownfield Redevelopment Authority	Local Development Finance Authority	Building Authority	Downtown Development Authority	Economic Development Corporation	Total Component Units
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 153,603	\$ 170,920	\$ 3,069	\$ 117,220	\$ 615,621	\$ 1,060,433
Accounts Receivable	--	--	--	4,809	--	4,809
Taxes Receivable	--	2,062	--	19,829	--	21,891
Lease Receivable	--	--	385,000	--	--	385,000
Prepaid Items	--	--	--	2,842	--	2,842
Total Current Assets	153,603	172,982	388,069	144,700	615,621	1,474,975
<i>Noncurrent Assets</i>						
Long-term Lease Receivable	--	--	6,755,000	--	--	6,755,000
Capital Assets not being Depreciated	--	68,306	--	--	--	68,306
Capital Assets being Depreciated	--	--	--	55,677	--	55,677
Total Assets	153,603	241,288	7,143,069	200,377	615,621	8,353,958
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	--	--	--	9,934	--	9,934
Accrued Expenses	--	--	--	1,300	--	1,300
Accrued Interest	209,188	--	--	--	--	209,188
Unearned Revenue	--	--	--	4,931	--	4,931
Current Portion of Long-term Debt	--	--	385,000	13,275	--	398,275
Total Current Liabilities	209,188	--	385,000	29,440	--	623,628
<i>Noncurrent Liabilities</i>						
Long-term Debt	1,566,886	--	6,755,000	54,189	--	8,376,075
Total Liabilities	1,776,074	--	7,140,000	83,629	--	8,999,703
DEFERRED INFLOWS OF RESOURCES						
Taxes Levied for Subsequent Period	62,000	2,044	--	54,829	--	118,873
Total Deferred Inflows of Resources	62,000	2,044	--	54,829	--	118,873
NET POSITION						
Net Investment in Capital Assets	--	68,306	--	--	--	68,306
<i>Unrestricted</i>	(1,684,471)	170,938	3,069	61,919	615,621	(832,924)
Total Net Position	\$ (1,684,471)	\$ 239,244	\$ 3,069	\$ 61,919	\$ 615,621	\$ (764,618)

The Notes to the Financial Statements are an integral part of these Financial Statements

City of Sturgis
Combining Statement of Activities
Component Units
For the year Ended September 30, 2021

	Brownfield Redevelopment Authority	Local Development Finance Authority	Building Authority	Downtown Development Authority	Economic Development Corporation	Total Component Units
Expenses						
Community and Economic Development	\$ 105,576	\$ --	\$ --	\$ 100,721	\$ --	\$ 206,297
Capital Outlay	--	--	--	--	100,000	100,000
Interest on Long-term Debt	41,364	--	291,613	2,450	--	335,427
Total Expenses	146,940	--	291,613	103,171	100,000	641,724
Program Revenues						
Charges for services	--	--	291,863	36,591	--	328,454
Total Program Revenues	--	--	291,863	36,591	--	328,454
Net Program Revenues (Expenses)	(146,940)	--	250	(66,580)	(100,000)	(313,270)
General Revenue						
Property Taxes	192,833	2,520	--	47,336	--	242,689
State Sources	--	47,575	--	4,110	--	51,685
Local Contributions	--	--	--	--	715,621	715,621
Investment Income (Loss)	--	584	--	155	--	739
Total General Revenues	192,833	50,679	--	51,601	715,621	1,010,734
Change in Net Position	45,893	50,679	250	(14,979)	615,621	697,464
<i>Net Position at Beginning of Period</i>	<i>(1,730,364)</i>	<i>188,565</i>	<i>2,819</i>	<i>76,898</i>	<i>--</i>	<i>(1,462,082)</i>
Net Position at End of Period	\$ (1,684,471)	\$ 239,244	\$ 3,069	\$ 61,919	\$ 615,621	\$ (764,618)

The Notes to the Financial Statements are an integral part of these Financial Statements

Notes to the Financial Statements

City of Sturgis

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sturgis (the “City”) is incorporated under the provisions of the Home Rule Act of the State of Michigan. The City of Sturgis operates under a Commission - Manager form of government and provides the following services as authorized by its charter: Public safety (police, fire, and inspections), highways and streets, public utilities, sanitation, health and social services, culture, parks and recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City of Sturgis conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant accounting policies establishing GAAP and used by the City are discussed below.

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the City of Sturgis (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City’s operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government.

Discretely Presented Component Units

The *Downtown Development Authority* (the “DDA”) was created as a tax-increment financing (TIF) district to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. Members of the DDA are appointed by the City Commission and the Authority is fiscally dependent on the City since the City Commission approves the DDA budget and must approve any debt issuance. The component unit is audited separately from the City and complete financial statements may be obtained from the city controller’s office. Accordingly, the City has elected to omit substantially all note disclosures related to the DDA in these financial statements. The DDA’s office contact information is as follows:

130 N. Nottawa
Sturgis, Michigan 49091.

The *Brownfield Redevelopment Authority* (the “Authority”) was established pursuant to Act 381 of the Public Acts of 1996, as amended. The purpose of the Authority is to treat and revitalize environmentally distressed brownfield zones. The Authority is financed by the tax increment

City of Sturgis

Notes to the Financial Statements

financing, federal grants, state grants, State loans, and City of Sturgis loans and has named the City of Sturgis as its fiscal agent. Members of the Authority are approved by the City Commission.

The *Local Development Finance Authority's* (the "LDFA") purpose is to finance improvements, through the use of tax increment financing, within the City's borders. The LDFA was established as a tax increment financing (TIF) district in 2008 in accordance with Act 281 of the Public Acts of 1987, as amended. Members of the LDFA are approved by the City Commission.

The *City of Sturgis Building Authority* was established pursuant to Act 31 of the Public Acts of 1948, as amended. Its purpose is to provide for the acquisition and construction of certain public buildings including hospital buildings and additions. Members of the Building Authority are approved by the City Commission. The Building Authority is treated as a discretely presented component unit as the only project has been for hospital building addition operated by Sturgis Hospital, Inc. a non-component unit of the city. Debt obligations are financed by a lease agreement with Sturgis Hospital, Inc.

Basis of Accounting - Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between activities that are governmental and those that are considered business-type activities. Internal service fund activity is eliminated to avoid "doubling-up" revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the City and for each governmental and component unit program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Some functions, such as administrative and financial services include expenses that are, in essence, indirect expenses of other functions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the City.

City of Sturgis

Notes to the Financial Statements

Basis of Accounting - Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- Any fund the City elects to include as a major fund.

Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements.

The City reports the following major funds:

The *general fund* is the general operating fund of the City. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues, and charges for services.

Enterprise Funds

The *electric fund* accounts for user charges and for operating expenses and debt service of the City's electric utility system.

The *water fund* accounts for user charges and for operating expenses and debt service of the City's water system.

The *sewer fund* accounts for user charges and for operating expenses and debt service of the City's sewer system.

City of Sturgis

Notes to the Financial Statements

The following is a description of three major categories and various fund types within those categories into which the funds are grouped:

Governmental Funds

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

"Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes, special assessments, licenses, interest revenue and charges for sales and services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within one year after year end except for property taxes for which collection must be within two months of year end. Reimbursements due for state and federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

Expenditure Recognition

The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The following is a description of the governmental fund types of the City:

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Permanent Funds

The permanent funds are used to account for the assets of legal trust agreements held by the City as trustee for which only the interest income on the principal may be spent.

City of Sturgis

Notes to the Financial Statements

Proprietary Funds

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds. Unbilled utility receivables are recorded at year-end.

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 City's enterprise funds and internal service funds are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following is a description of the proprietary fund types of the City:

Enterprise Funds

Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Internal Service Funds

Internal service funds are used to record the financing of goods or services provided by the City to other departments and funds or to other governmental units on a cost reimbursement basis.

Fiduciary Funds (Not Included in Government-wide Financial Statements)

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs.

Custodial Funds

Custodial funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The custodial funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

City of Sturgis

Notes to the Financial Statements

Pension Trust Funds

The pension trust funds are used to account for the assets held by the City as trustee for the employee retirement systems.

Other Postemployment Benefit Trust Funds

The other postemployment benefit trust funds are used to account for the assets held by the City as trustee for the employee retirement health insurance systems.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general and special revenue funds. The City adopts its budget in accordance with City Charter and Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to August 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted at the City hall to obtain public comments.
- Prior to August 20th the budget and annual appropriations act are legally adopted by the City Commission.
- Formal budget integration is employed as a management control device during the year for all budgetary funds.
- Budgetary control is exercised at the department level in the general fund, and at the total expenditure or "fund" level for the special revenue funds. Similarly, the City's "appropriation centers" are defined at the department level in the general fund and at the total expenditure or "fund" level for the special revenue funds. The City Manager is empowered to transfer line-item budget amounts within appropriation centers.
- Budget transfers between appropriation centers or changes to appropriation center totals require formal amendment by the City Commission. Expenditures in the special revenue funds are classified by major functional category for informational purposes. Budgets for the current year are carefully reviewed throughout the year for any revisions of estimates. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary. In the

City of Sturgis

Notes to the Financial Statements

current year, the general fund and special revenue fund budgets were amended to reflect actual expenditures that were higher than originally budgeted.

- All budget appropriations lapse at the end of the year.
- Budgets as presented for the governmental funds are prepared on the modified accrual basis consistent with generally accepted accounting principles.

Deposits and Investments

Certain City funds including the pension trust fund, cemetery trust fund, and the electric fund have investments which are separately held from those of other City funds. For the purpose of the statement of cash flows, the City considers all assets held in the cash and investment pool to be cash and cash equivalents because the investments are not identifiable to the specific funds and the assets can be withdrawn at any time, similar to a demand deposit account. Investments with a maturity of greater than one year at the date of purchase are stated at fair value and all other investments are stated at cost or amortized cost.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/due from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes attach as enforceable liens on property as of December 31. Taxes are levied on July 1 of the following year and are payable from the date of levy through August 15. Taxes levied on July 1 are recorded as receivables and unearned revenue. Taxes are recognized as revenue (and become available for appropriation) in the fiscal year following the levy date. The City bills and collects its own property taxes and also taxes for the county and school districts. Collections of all the taxes and remittance of them to the other taxing authorities are accounted for in the current tax fund. The City is permitted by state law without voter approval to levy taxes up to \$11.8894 per \$1,000 of state equalized valuation for general governmental purposes. The tax rate to finance City services for the year ended September 30, 2021, was \$10.4623 per \$1,000 of taxable valuation. The tax rate to finance City street/sidewalk improvements for the year ended September 30, 2021, was \$3.000 per \$1,000 taxable valuation. The 2020 taxable value of the City was \$229,220,412.

Receivables consist of amounts due from the state and federal government for various payments and grants and receivables for charges for services provided to local governmental units, accounts receivable related to charges for services, interest receivable, and other amounts owed to the City at year-end.

City of Sturgis

Notes to the Financial Statements

Inventories and Prepaid Items

Inventories include materials, repair parts and supplies for various City operations and are valued at the lower of cost (first-in, first-out) or market. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Restricted Cash and Cash Equivalents

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at acquisition value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Years</u>
Land Improvements	7 - 40
Roads and Sidewalks	7 - 20
Utility Systems	30 - 50
Buildings and Improvements	15 - 50
Machinery and Equipment	5 - 20
Vehicles	2 - 7
Office Furniture and Equipment	3 - 7

Unearned Revenue

Unearned revenue represents monies that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as liabilities.

City of Sturgis

Notes to the Financial Statements

Deferred Outflows 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 City reports deferred outflows of resources for the difference between projected and actual investment earnings, changes in assumptions, and the difference between expected and actual experience provided in its pension plan and other postemployment benefits plan.

Other Postemployment Benefits

The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's Retiree Health Care Plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pensions

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

Compensated Absences

City employees are granted vacation and sick leave in varying amounts based on length of service and employee group. Unused vacation and sick leave days are paid to employees upon termination under limits that vary by employee group. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources while the proprietary funds report the liability as it is incurred.

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the

City of Sturgis

Notes to the Financial Statements

applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums 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 received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, from receivables and from property taxes levied and collected for next fiscal year's operation. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also reports deferred inflows of resources for the difference between projected and actual investment earnings, changes in assumptions, and the difference between expected and actual experience provided in its pension plan and other postemployment benefits plan.

Net Position Flow Assumption

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 and unrestricted net position in the government-wide and proprietary fund financial statements, 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 consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements 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 consider

City of Sturgis

Notes to the Financial Statements

restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. 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.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Members of the City Commission is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Members of the City Commission is authorized to assign fund balance. The Members of the City Commission may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Members of the City Commission. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, the unassigned classification is used only to report a deficit.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the

City of Sturgis

Notes to the Financial Statements

financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events / COVID-19

The City will be affected by the recent and ongoing outbreak of the Coronavirus (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. COVID-19 has caused significant government and business disruptions through mandated and voluntary closings and stay at home orders.

Management is in the process of determining the significance that the outbreak will have on the City's upcoming budget. Due to ARPA funding revenues and expenditures are expected to increase in fiscal year 2022. Actual changes in both revenues and expenditures because of COVID-19 remain highly uncertain.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The annual budget is prepared by the City management and adopted by the City Commission; subsequent amendments are approved by the City Commission. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year the budget was amended in a legally permissible manner. The budget has been prepared in accordance with generally accepted accounting principles. State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the City were adopted on a fund level basis.

During the year ended September 30, 2021 the City incurred the following expenditure in excess of the amount appropriated, in the general fund, at the legal level of budgetary control:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Health and Welfare	\$ 50,100	\$ 55,020	\$ (4,920)

Net Position Deficits

The Brownfield Redevelopment Authority had an unrestricted deficit net position of \$(1,684,471).

City of Sturgis

Notes to the Financial Statements

NOTE 3 - DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown in the basic financial statements for the City's deposits and investments is as follows:

	Primary Government	Component Units	Total
Statement of Net Position			
Cash and Investments	\$ 42,157,332	\$ 1,060,433	\$ 43,217,765
Statement of Fiduciary Net Position			
Cash and Investments	57,009,534	-	57,009,534
Total Deposits and Investments	<u>99,166,866</u>	<u>1,060,433</u>	<u>100,227,299</u>
<i>Less Units Separately Audited</i>			
Downtown Development Authority	-	(117,220)	(117,220)
Deposits and Investments Managed by the City	<u>\$ 99,166,866</u>	<u>\$ 943,213</u>	<u>\$ 100,110,079</u>
	Checking and Savings Accounts	\$ 9,618,791	
	Certificates of Deposit	750,060	
	Investments	89,737,708	
	Cash on Hand	3,520	
	Total Deposits and Investments	<u>\$ 100,110,079</u>	

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Retirement System is also authorized to invest a portion of its assets in stocks that are registered on a national securities exchange and mutual funds of diversified investment companies having assets greater than \$100 million.

City of Sturgis

Notes to the Financial Statements

As of September 30, 2021, the maturities and credit quality rating of debt securities are as follows:

	Fair Value	No Maturity or < Than 1	1 - 5	6 - 10	> Than 10	Fair Value Level	S&P Rating
Primary Government:							
Mutual Funds	\$ 493,683	\$ 493,683	\$ -	\$ -	\$ -	II	Not Rated
MI Class (Pooled Investments)	6,732,367	6,732,367	-	-	-	II	AAAm
Bank Deposit Program	12,654	12,654	-	-	-	II	Not Rated
U.S. Government Agencies	27,292,858	18,716,478	8,576,380	-	-	II	\$25,218,680 AA+, \$2,074,178 Not Rated
Assets in Community Foundation	276,615	276,615	-	-	-	II	Not Rated
Total Primary Government:	<u>34,808,177</u>	<u>26,231,797</u>	<u>8,576,380</u>	<u>-</u>	<u>-</u>		
Pension Trust Fund:							
Open END MF - Fixed Inc. Tax	5,514,810	5,514,810	-	-	-	I	Not Rated
U.S. Government Agencies	2,911,137	-	993,411	510,743	1,406,983	I	AAA-AA
Corporate and Other Bonds and Notes	1,902,793	28,952	297,738	1,277,221	298,882	I	AAA-AA
Bank Deposit Program	788,653	788,653	-	-	-	I	Not Rated
Common and Preferred Stocks	33,969,858	33,969,858	-	-	-	I	N/A
Total Pension Trust Fund:	<u>45,087,251</u>	<u>40,302,273</u>	<u>1,291,149</u>	<u>1,787,964</u>	<u>1,705,865</u>		
OPEB Trust Fund:							
MERS Established Market Fund	9,842,280	9,842,280	-	-	-	II	Not Rated
Total Investments:	<u>\$ 89,737,708</u>	<u>\$ 76,376,350</u>	<u>\$ 9,867,529</u>	<u>\$ 1,787,964</u>	<u>\$ 1,705,865</u>		

Interest Rate Risk

State law limits the allowable investments and the maturities of some of the allowable investments. The City'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.

Credit Risk

State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require, and the City does not have a policy for deposit custodial credit risk. At September 30, 2021, the City had \$9,55,1975 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Component Units had \$-0- of bank deposits that were uninsured and uncollateralized. The City and the Component Units believe that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City and the Component Units evaluates each financial institution with which they deposit funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

City of Sturgis

Notes to the Financial Statements

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City 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 City does not have a policy for investment custodial credit risk. However, while uninsured and unregistered, the City's funds are not exposed to custodial credit risk since the securities are held in the counterparty's trust department in the City's name.

Concentration of Credit Risk

State law limits allowable investments but does not limit concentration of credit risk as identified above. The City's investment policy does not have specific limits in excess of state law on concentration of credit. All investments held at year end are reported above.

Fair Value Measurement

The City categorizes its fair value measurements 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. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The fair value hierarchy is shown in the table above.

Beneficial Interest in Assets Held by Foundation

Amounts shown as beneficial interest in assets held by foundation represent monies placed with the Sturgis Area Community Foundation (the "Foundation") by the City, specifying itself as the beneficiary. The City and the Foundation are unrelated entities. The City has the right, at any time, to receive from the Foundation, all, or a portion, of the balance of accumulated investment return on monies held by the Foundation. The Foundation, as custodian of such funds, continues to report the funds as assets of the Foundation, with a corresponding Liability, agency non-endowed funds. The City reports this asset at the present value of future payments to be received. The portion of the asset not considered expendable has been reported in the permanent fund.

City of Sturgis

Notes to the Financial Statements

NOTE 4 - RECEIVABLES - UNAVAILABLE/UNEARNED REVENUE

Accounts receivable of the electric fund are reported net of an allowance for uncollectible accounts of \$200,000.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At the end of the current fiscal year the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable Revenue</u>	<u>Unearned Revenue</u>	<u>Total</u>
<i>Primary Government</i>			
Property taxes levied and collected for next fiscal year's operation	\$ 2,664,244	\$ -	\$ 2,664,244
Customer deposits for future services / events	-	174,462	174,462
<i>Total Primary Government</i>	<u>\$ 2,664,244</u>	<u>\$ 174,462</u>	<u>\$ 2,838,706</u>
<i>Component Units</i>			
Property taxes levied and collected for next fiscal year's operation	<u>\$ 118,873</u>	<u>\$ -</u>	<u>\$ 118,873</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables, at September 30, 2021, consisted of an advance from the electric fund to the water fund in the amount of \$1,262,999.

The due from/to other fund balances resulted from temporary loans to cover cash short falls in a given fund and from a time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. Also, certain amounts are reported as internal balances in the statement of net assets relative to the elimination of internal service funds.

City of Sturgis

Notes to the Financial Statements

Transfers consisted of the following for the year ended September 30, 2021:

Transfer In	Transfer Out	Amount
Electric	General	\$ 80,040
Sanitary Sewer	General	37,800
Nonmajor Governmental Funds	General	1,794,554
Nonmajor Governmental Funds	Nonmajor Governmental Funds	617,423

Transfers are used to: 1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; 2) the transfer from the major street fund to the local street fund represents the sharing of gas and weight tax revenues; and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 6 - CAPITAL ASSETS

Capital assets activity of the primary government for the year ended September 30, 2021 was as follows:

Governmental Activities	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital Assets not being Depreciated					
Land	\$ 720,705	\$ -	\$ -	\$ -	\$ 720,705
Construction in Process	420,097	1,448,059	-	(1,019,212)	848,944
<i>Subtotal</i>	<u>1,140,802</u>	<u>1,448,059</u>	<u>-</u>	<u>(1,019,212)</u>	<u>1,569,649</u>
Capital Assets being Depreciated					
Infrastructure	15,346,255	647,006	-	941,320	16,934,581
Land Improvements	8,082,809	113,777	-	-	8,196,586
Buildings and Improvements	10,337,525	166,985	-	77,892	10,582,402
Machinery and Equipment	1,984,830	52,437	-	-	2,037,267
Office Furniture and Equipment	74,841	-	-	-	74,841
<i>Subtotal</i>	<u>35,826,260</u>	<u>980,205</u>	<u>-</u>	<u>1,019,212</u>	<u>37,825,677</u>
Less Accumulated Depreciation					
Infrastructure	6,770,556	787,457	-	-	7,558,013
Land Improvements	3,872,258	381,141	-	-	4,253,399
Buildings and Improvements	6,539,759	492,081	-	-	7,031,840
Machinery and Equipment	1,286,216	94,733	-	-	1,380,949
Office Furniture and Equipment	74,841	-	-	-	74,841
<i>Subtotal</i>	<u>18,543,630</u>	<u>1,755,411</u>	<u>-</u>	<u>-</u>	<u>20,299,041</u>
Capital Assets being Depreciated, Net	<u>17,282,630</u>	<u>(775,206)</u>	<u>-</u>	<u>1,019,212</u>	<u>17,526,636</u>
Capital Assets, Internal Service Funds	<u>1,724,736</u>	<u>2,288,708</u>	<u>(847,423)</u>	<u>-</u>	<u>3,166,021</u>
Capital Assets, Net	<u>\$ 20,148,168</u>	<u>\$ 2,961,561</u>	<u>\$ (847,423)</u>	<u>\$ -</u>	<u>\$ 22,262,306</u>

City of Sturgis

Notes to the Financial Statements

Business-type Activities	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital Assets not being Depreciated					
Land	\$ 736,739	\$ -	\$ -	\$ -	\$ 736,739
Construction in Process	1,152,198	988,566	-	(914,076)	1,226,688
<i>Subtotal</i>	<u>1,888,937</u>	<u>988,566</u>	<u>-</u>	<u>(914,076)</u>	<u>1,963,427</u>
Capital Assets being Depreciated					
Land Improvements	4,243,512	700,936	-	-	4,944,448
Building, Improvements, and System	118,771,730	63,781	-	914,076	119,749,587
Machinery and Equipment	613,271	139,957	-	-	753,228
Office Furniture and Equipment	95,789	-	-	-	95,789
<i>Subtotal</i>	<u>123,724,302</u>	<u>904,674</u>	<u>-</u>	<u>914,076</u>	<u>125,543,052</u>
Less Accumulated Depreciation					
Land Improvements	3,773,256	131,206	-	-	3,904,462
Building, Improvements, and System	78,544,190	3,177,688	-	-	81,721,878
Machinery and Equipment	426,781	19,988	-	-	446,769
Office Furniture and Equipment	95,789	-	-	-	95,789
<i>Subtotal</i>	<u>82,840,016</u>	<u>3,328,882</u>	<u>-</u>	<u>-</u>	<u>86,168,898</u>
Capital Assets being Depreciated, Net	<u>40,884,286</u>	<u>(2,424,208)</u>	<u>-</u>	<u>914,076</u>	<u>39,374,154</u>
Capital Assets, Net	<u>\$ 42,773,223</u>	<u>\$ (1,435,642)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,337,581</u>

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

Governmental Activities

General Government	\$ 395,076
Public Safety	455,081
Public Works	371,051
Recreation and Culture	534,203
Internal Service Funds	481,822
	<u>\$ 2,237,233</u>

Business-type Activities

Electric	\$ 1,874,557
Sanitary Sewer	962,453
Water	491,872
	<u>\$ 3,328,882</u>

The Local Development Finance Authority, a discretely presented component unit, had \$68,306 in capital assets not being depreciated during the year ended September 30, 2021.

City of Sturgis

Notes to the Financial Statements

NOTE 7 - LONG-TERM DEBT

Following is a summary of governmental activities long-term debt transactions for the year ended September 30, 2021:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term Debt					
2010 Capital Improvement Bonds	\$ 435,790	\$ -	\$ (67,053)	\$ 368,737	\$ 69,099
Fire Truck Note Payable	94,228	-	(30,340)	63,888	37,535
Fire Vehicle Note Payable	379,011	-	(32,786)	346,225	31,732
Gym Equipment Note Payable	197,834	-	(13,603)	184,231	14,154
Fire Ladder Truck Note Payable	-	1,216,441	(29,283)	1,187,158	71,241
Total Long-term Debt	<u>1,106,863</u>	<u>1,216,441</u>	<u>(173,065)</u>	<u>2,150,239</u>	<u>223,761</u>
Compensated Absences	690,420	686,111	(659,349)	717,182	-
Total Long-term Obligations	<u>\$ 1,797,283</u>	<u>\$ 1,902,552</u>	<u>\$ (832,414)</u>	<u>\$ 2,867,421</u>	<u>\$ 223,761</u>

Long-term debt payables at September 30, 2021 consisted of the following individual issues:

Governmental Activities

\$983,446 2010 Capital Improvement bonds payable annually, beginning November 1, 2011 and ending November 1, 2025, ranging from \$56,993 to \$79,343, plus interest paid semi-annually at 1.4% to 6.0%	\$ 368,737
Note payable to Bank in the amount of \$398,106, monthly payment of \$3,065 including interest at 4.50%, final payment due July 1, 2023, secured by Fire Truck purchased	63,888
Note payable to Bank in the amount of \$516,334, monthly payment of \$3,402 including variable interest, final payment due May 12, 2031, secured by Fire Truck purchased	346,225
Note payable to Bank in the amount of \$237,000, monthly payment of \$1,658 including interest at 3.19%, final payment due October 1, 2032, secured by the equipment purchased	1,187,158
Note payable to Bank in the amount of \$1,216,441, monthly payment of \$7,782 including interest at 1.918%, final payment due April 22, 2036.	

City of Sturgis

Notes to the Financial Statements

Total Governmental Activities
Long-term Debt

\$ 2,150,239

Following is a summary of business-type activities long-term debt transactions for the year ended September 30, 2021:

Business-type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term Debt					
2010 Capital Improvement Bonds	\$ 1,519,210	\$ -	\$ (232,947)	\$ 1,286,263	\$ 240,901
2007 State/Clean Water Revolving Fund Loan Payable	426,070	-	(55,000)	371,070	60,000
2007 State/Clean Water Revolving Fund Loan Payable	1,140,587	-	(140,000)	1,000,587	140,000
2008 Sanitary Sewer System Revenue Bonds	2,392,172	-	(240,000)	2,152,172	245,000
2013A State/Clean Water Revolving Fund Loan Payable	1,840,918	-	(115,000)	1,725,918	120,000
2013B State/Clean Water Revolving Fund Loan Payable	311,674	-	(20,000)	291,674	20,000
Total Long-term Debt	<u>7,630,631</u>	<u>-</u>	<u>(802,947)</u>	<u>6,827,684</u>	<u>825,901</u>
Compensated Absences	277,000	288,534	(288,534)	277,000	-
Total Long-term Obligations	<u>\$ 7,907,631</u>	<u>\$ 288,534</u>	<u>\$ (1,091,481)</u>	<u>\$ 7,104,684</u>	<u>\$ 825,901</u>

Long-term debt payables at September 30, 2021, consisted of the following individual issues:

Business-type Activities

\$3,416,554 2010 Capital Improvement bonds payable annually, beginning November 1, 2011 and ending November 1, 2025, ranging from \$198,007 to \$275,657, plus interest paid semi-annually at 1.4% to 6.0%	\$ 1,286,263
\$1,086,070 2007 State/Drinking Water Revolving Fund loan payable annually, beginning October 1, 2011 and ending October 1, 2027, ranging from \$45,000 to \$66,070, including interest paid semi-annually at 2.125%	371,070
\$2,660,000 2007 State/Clean Water Revolving Fund loan payable annually, beginning April 1, 2013 and ending April 1, 2028, ranging from \$115,000 to \$145,587, including interest paid semi-annually at 1.625%	1,000,587
\$5,505,000 2008 Sanitary Sewer System revenue bonds, payable in semi-annual installments ranging from \$215,000 to \$292,172 plus interest at 2.50%, final payment due October 1, 2029	2,152,172
\$2,486,274 2013 State/Clean Water Revolving Fund loan payable in semi-annual installments ranging from	

City of Sturgis

Notes to the Financial Statements

\$105,000 to \$150,919 plus interest at 2.00%, final payment due April 1, 2034 1,725,918

\$476,674 2013 State/Clean Water Revolving Fund loan payable in semi-annual installments ranging from \$15,000 to \$26,674 plus interest at 2.50%, final payment due April 1, 2034 291,674

Total Business-type Activities Long-term Debt \$ 6,827,684

Debt Service Requirements

The annual requirements to service all debt outstanding for the primary government as of September 30, 2021 (excluding compensated absences), including both principal and interest, are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 223,730	\$ 58,778	\$ 282,508	\$ 825,931	\$ 185,157	\$ 1,011,089
2023	217,499	50,432	267,931	843,703	159,296	1,002,999
2024	196,151	42,980	239,131	856,475	131,875	988,351
2025	201,250	35,631	236,881	879,247	103,213	982,460
2026	207,101	28,984	236,085	900,905	73,752	974,657
2027-2031	675,363	88,698	764,061	2,003,829	144,682	2,148,511
2032-2036	429,145	18,707	447,852	517,592	16,263	533,855
Totals	<u>\$ 2,150,239</u>	<u>\$ 324,210</u>	<u>\$ 2,474,449</u>	<u>\$ 6,827,684</u>	<u>\$ 814,238</u>	<u>\$ 7,641,922</u>

Discretely Presented Component Units

Brownfield Redevelopment Authority

Following is a summary of long-term debt transactions for the year ended September 30, 2021:

Brownfield Redevelopment Authority	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
City of Sturgis - Electric Fund	\$ 1,700,000	\$ -	\$ (133,114)	\$ 1,566,886	\$ -

Long-term debt payable at September 30, 2021 consisted of the following individual issues:

Note payable to City of Sturgis - Electric Fund in the amount (not to exceed) \$1,700,000, deferred payments until June 1, 2021, thirty years maximum, annual payment, interest accrues at 2.468%, payments apply to principal until paid, interest balance accrues and will be paid last per Development Agreement and Brownfield Plan \$1,566,886

Debt Service Requirements

City of Sturgis

Notes to the Financial Statements

The note payable to the electric fund is unscheduled.

Building Authority

Following is a summary of long-term debt transactions for the year ended September 30, 2021:

Building Authority	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Series 2014 Refunding Bonds	\$ 7,510,000	\$ -	\$ (370,000)	\$ 7,140,000	\$ 385,000

Long-term debt payable at September 30, 2021 consisted of the following individual issue:

Sturgis Building Authority Series 2014 Refunding Bonds, payable annually beginning October 1, 2017 and ending October 1, 2034, ranging from \$290,000 to \$745,000, including interest paid semiannually with rates ranging from 2.00% to 4.25% \$ 7,140,000

Debt Service Requirements

The annual requirements to service all debt outstanding as of September 30, 2021 including both principal and interest, are as follows:

	Brownfield Redevelopment Authority		
	Principal	Interest	Total
2022	\$ 385,000	\$ 280,513	\$ 665,513
2023	410,000	268,963	678,963
2024	435,000	256,663	691,663
2025	455,000	239,263	694,263
2026	480,000	221,063	701,063
2027-2031	2,855,000	788,363	3,643,363
2032-2034	2,120,000	172,800	2,292,800
Totals	\$ 7,140,000	\$ 2,227,628	\$ 9,367,628

City of Sturgis

Notes to the Financial Statements

NOTE 8 - NOTES RECEIVABLE

At September 30, 2021, the electric fund reflected the following notes receivable:

Note receivable from Sturgis Hospital, Inc. collectible in monthly installments of \$2,247, plus interest at 6%, due in full September 30, 2023	\$ 62,929
Note receivable from Brownfield Development Authority - component unit collectible beginning in 2021 with interest accruing at 2.468%, due in full within thirty years	<u>1,566,866</u>
Total	<u>\$ 1,629,815</u>

NOTE 9 - LEASE RECEIVABLE

Discretely Presented Component Unit

Building Authority

At September 30, 2021, the Building Authority reflected the following lease receivable:

Lease receivable from Sturgis Hospital, Inc. collectible in monthly installments beginning March 1, 2010 and ending September 1, 2034, ranging from \$322,561 to \$411,159, receipts are pledged to the payment of the principal and interest on the Authority Bonds payable	<u>\$ 7,140,000</u>
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NOTE 10 - RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

The City also participates in a State pool, the Michigan Municipal League Liability and Property Pool, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the

City of Sturgis

Notes to the Financial Statements

specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

Employee Health Benefits

The City has established a self-insured health insurance plan which is accounted for in an Internal Service Fund. Full-time, regular employees of the City, as well as qualifying dependents, are eligible to participate in the insurance plan. The plan is administered under a contractual agreement with Blue Cross and Blue Shield of Michigan (BCBSM) (Health, Dental, Vision and RX).

The City is responsible for paying the medical, RX, dental, and vision claim amounts which are in excess of the employee's deductible and/or co-pay amounts. Stop-loss insurance coverage limits claim expense to \$65,000 per contract annually including a 24-month run-out period for claims incurred prior to termination of coverage.

The insurance arrangements are renegotiated annually. Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include a provision for claims that have been incurred but not reported (IBNR's). The provision is based upon historical trends. Claims liabilities are estimated based on actual claims filed subsequent to year end.

Changes in the estimated balance of claim liabilities during the current year ended September 30, 2021 and the prior year was as follows:

Employee Benefit Claims Liability

	2021	2020
Estimated Claims Liability, Beginning of Year	\$ 50,000	\$ 50,000
Estimated Claims Incurred, including Changes in Estimates	1,522,010	2,168,070
Applied Stop-loss	(308,054)	(894,500)
Claim Payments	(1,213,956)	(1,273,570)
Estimated Claims Liability, End of Year	\$ 50,000	\$ 50,000

NOTE 11 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457 that is administered by ICMA Retirement Corporation. The plan, available to all City employees, permits them to defer a portion of their payroll until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan trustee holds all assets of the plan, maintains accounting of each plan participant's accumulated assets and makes distributions to participants in accordance with the plan document. Participants may contribute any amount allowed by the plan. The City will match the employee contribution at different percentages based on the employee group. In

City of Sturgis

Notes to the Financial Statements

fiscal year 2021, the City contributed \$164,339 in employer matching contributions. Plan provision and contribution requirements can only be amended by authorization of the City Commission.

NOTE 12 - DEFINED BENEFIT PENSION PLAN

Plan Description

The City maintains a single-employer defined benefit pension plan (City of Sturgis Employers' Retirement System) which covers all City unionized employees who normally work 1,950 hours or more a year, and all other full time City employees. The system provides retirement, disability, and death benefits to plan members and their beneficiaries.

Benefits Provided

Retirement benefits for employees are as follows:

<u>Eligibility</u>	<u>Amount</u>
Regular Retirement (no reduction factor for age)	
General (hired prior to 1/1/2016) and Electric Union (hired prior to 3/1/15): Any age with 25 years of service.	<u>Total service multiplied by:</u> General - the sum of (a) 1.2% of the first \$4,200 of final average compensation (FAC) and (b) 1.7% of FAC in excess of \$4,200.
General (hired on or after 1/1/2016) and Electric Union (hired on or after 3/1/15): Age 55 with 25 years of service.	Electrical - 2.0% of FAC.
General and Electric: Age 60 with 10 years of service or 65 with 5 years of service.	
Police (hired before 10/1/2017) and Fire (hired before 10/11/2017): Any age with 25 years of service, or age 55 with 10 years of service, or at age 60 with 5 years.	2.5% of FAC.
Police (hired after 10/1/2017) and Fire (hired after 10/11/2017): Age 55 with 25 years of service, or at age 60 with 10 years.	
Type of Final Average Compensation.	Fire: Highest 3 consecutive years out of last 5. Others: Highest 5 consecutive years out of last 10.

City of Sturgis

Notes to the Financial Statements

Eligibility	Amount
Deferred Retirement	
Electric (hired prior to 3/1/2008) and Non-Union (hired prior to 1/1/2009): 5 years of service.	Computed as a regular retirement but based upon service and final average compensation at termination date. Benefit begins at normal retirement age.
Electric (hired on or after 3/1/2008 and prior to 3/1/2015) and Non-Union (hired on or after 1/1/2009 and prior to 1/1/2016): 8 years of service.	
Electric (hired on or after 3/1/2015) and Non-Union (hired on or after 1/1/2016): 10 years of service.	
Fire (hired before 10/11/2017): 8 years of service, 5 years of service if retiring at age 60.	
Fire (hired after 10/11/2017): 10 years of service.	
Others: 10 years of service.	
Non-Duty Death Before Retirement	
10 years of service.	Computed as a regular retirement but actuarially reduced in accordance with a 100% joint and survivor election.
Duty Death Before Retirement	
No age or service requirements.	Upon termination of Worker's Compensation, benefits equal to the Worker's Compensation payments to the spouse, children under age 18 and dependent parents.

City of Sturgis

Notes to the Financial Statements

Eligibility	Amount
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Non-Duty Disability Retirement

10 years of service.	Computed as a regular retirement. Maximum Amount - Final average compensation less Social Security amount, if any.
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Duty Disability Retirement

No age or service requirements.	Computed as regular retirement. Upon attaining age 65 and termination of Worker's Compensation, additional service credit is granted for period in receipt of Worker's Compensation, and benefit is recomputed. Minimum amount - 17% of final average compensation less Social Security amount. Maximum amount - Final average compensation less Worker's Compensation less Social Security amount.
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Member Contributions

General	1.80% of gross pension wages.
Electric	4.55% of gross pension wages.
Police	3.01% of gross pension wages.
Fire	4.30% of gross pension wages.

Required contributions in excess of the Employer Cap are paid by active employees.

Contribution balances are credited with 3.0% interest annually.

Cap on Employer Contributions

General (hired on or after 12/31/2012)	10.0% of gross pension wages.
Electric (hired on or after 3/1/2012)	10.0% of gross pension wages.
Police (hired on or after 10/1/2011)	16.2% of gross pension wages.
Fire (hired on or after 10/1/2012)	16.2% of gross pension wages.

Required contributions in excess of the Employer Cap are paid by active employees.

City of Sturgis

Notes to the Financial Statements

<u>Eligibility</u>	<u>Amount</u>
Member FAC Factor Buy-Up Contributions	
Electric (hired prior to 3/1/2008)	Discontinued on 10/1/2014.
Fire	Discontinued on 10/1/2011.
Police and Dispatchers	Discontinued on 10/1/2013.

Benefit terms, within the parameters originally established by the Retirement Board, are generally established and amended by authority of the City Commission, generally after negotiations of these terms with the affected bargaining units representing various classes of employees.

Employees Covered by Benefit Terms

At the September 30, 2021 valuation date, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Receiving Benefits	117
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	20
Active Members	99
Total Employees Covered	<u>236</u>

Contributions

State law requires public employers to make pension contributions in accordance with an actuarial valuation. The Plan hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City's required contribution is determined after consideration of the required contribution rate of employees.

City of Sturgis

Notes to the Financial Statements

For the year ended September 30, 2021, the City had the following contribution rates:

Division	Employee Contributions	Employer Contributions
General	1.80%	5.73%
Electric Union	4.55%	11.99%
Police	3.01%	13.64%
Fire	4.30%	19.40%

Net Pension (Asset) Liability

The net pension (asset) liability reported at September 30, 2021 was determined using a measure of the total pension liability and the pension net position as of September 30, 2021. The September 30, 2021 total pension liability was determined by an actuarial valuation performed as of that date.

Actuarial Assumptions

The total pension liability in the September 30, 2021 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price Inflation	2.50%
Salary Increases	3.25% to 13.25%
Investment Rate of Return	6.50%

RP-2014 Healthy Annuitant Mortality Table for males and females projected to be fully generational with MP-2016 Mortality Improvement Scale.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

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

City of Sturgis

Notes to the Financial Statements

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Large Cap Equities	26.50%	8.85%	2.37%	6.48%
Small Cap Equities	5.00%	9.15%	2.37%	6.78%
International Equities	19.50%	7.80%	2.37%	5.43%
Emerging Markets Equity	5.50%	9.80%	2.37%	7.43%
REITS	5.00%	7.10%	2.37%	4.73%
MLP	3.50%	8.00%	2.37%	5.63%
Fixed Income	35.00%	3.50%	2.37%	1.13%
	<u>100.00%</u>	<u>6.72%</u>		<u>4.35%</u>

Discount Rate

A single discount rate of 6.25% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.25%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. As a result, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Sturgis

Notes to the Financial Statements

Changes in Net Pension (Asset) Liability

Changes in the net pension (asset) liability during the measurement year were as follows:

Changes in Net Pension (Asset) Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension (Asset) Liability
Balance at September 30, 2020	\$ 38,769,545	\$ 38,894,103	\$ (124,558)
Service Cost	889,675	-	889,675
Interest on Total Pension Liability	2,482,051	-	2,482,051
Contributions - Employer	-	760,888	(760,888)
Contributions - Employee	-	236,416	(236,416)
Net Investment Income	-	7,387,408	(7,387,408)
Benefit Payments, Including Refunds	(2,057,964)	(2,057,964)	-
Difference Between Expected and Actual Experience	(65,256)	-	(65,256)
Changes of Assumptions	574,030	-	574,030
Administrative Expenses	-	(67,465)	67,465
<i>Net Changes</i>	<u>1,822,536</u>	<u>6,259,283</u>	<u>(4,436,747)</u>
Balance at September 30, 2021	\$ 40,592,081	\$ 45,153,386	\$ (4,561,305)

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate

The following presents the net pension (asset) liability of the City, calculated using the discount rate of 6.50 percent, as well as what the City's net pension (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Net Pension (Asset) Liability of the City	\$ 901,540	\$ (4,561,305)	\$ (9,082,762)

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

For the year ended September 30, 2021, the City recognized pension expense(revenue) of \$(342,691). At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 3,974,011
Difference Between Expected and Actual Experience	38,687	163,125
Changes in Assumptions	455,654	-
Total	\$ 494,341	\$ 4,137,136

City of Sturgis

Notes to the Financial Statements

Amounts reported as deferred outflows of resources/deferred inflows of resources related to pensions will be recognized in pension expense (income) as follows:

Year Ending September 30,	Amount
2022	\$ (848,636)
2023	(861,956)
2024	(1,041,820)
2025	(890,383)

Allocation of Net Pension (Asset) Liability and Related Deferred Items

At September 30, 2021 the City allocated its net pension (asset) liability and related deferrals as follows:

	Governmental Activities	Business-type Activities			Total
		Electric	Sanitary Sewer	Water	
Deferred Outflows of Resources	\$ 296,605	\$ 158,189	\$ 29,660	\$ 9,887	\$ 494,341
Net Pension (Asset) Liability	(2,736,783)	(1,459,618)	(273,678)	(91,226)	(4,561,305)
Deferred Inflows of Resources	2,482,281	1,323,884	248,228	82,743	4,137,136

NOTE 13 - POSTEMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The City provides retiree healthcare benefits through the City of Sturgis's retiree healthcare plan (the "Plan") to eligible employees and their spouses who meet age and service requirements and were hired prior to specific dates according to collective bargaining agreements or City policy.

Benefits Provided and Contributions

The Plan was established and is being funded under the authority of the City. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). However, as shown below, the City made contributions to advance-fund these benefits, as determined by the City Commission through annual budget resolutions.

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (September 30, 2020):

Inactive Plan Members or Beneficiaries Receiving Benefits	73
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	0
Active Members	45
Total Employees Covered	<u>118</u>

City of Sturgis

Notes to the Financial Statements

Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2020 and a measurement date of September 30, 2021 and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	6.50%
Discount Rate	6.50%
Average Retirement Age	62
Mortality	A version of PUB-2010 with Scale MP-2019 generational mortality improvement or based on actuarial experience study within the past 5 years.

Non-Medicare healthcare inflation starts at 7.50% and decreases 0.25% per year to a 4.50% long-term rate. Medicare healthcare information starts at 5.75% and decrease 0.25% per year to a 4.50% long-term rate.

Discount Rate

The final equivalent single discount rate used for this year's valuation is 6.50 percent as of September 30, 2021 as the OPEB trust is expected to be sufficient to pay all future projected benefit payments based on the City's funding policy of contributing the actuarial determined contributions annually.

Investment Rate of Return

The investment rate of return was assumed to be 6.15 percent, net of OPEB plan investment expense, including inflation. The long-term expected rate of return on OPEB plan investments was determined by using the long-term expected rate of return using the target asset allocation:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Fixed Income	40.00%	3.75%
Global Equity	60.00%	7.75%

City of Sturgis

Notes to the Financial Statements

Changes in the net OPEB liability during the measurement year were as follows:

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at September 30, 2020	\$ 9,623,816	\$ 8,565,486	\$ 1,058,330
Service Cost	72,731	-	72,731
Interest on Total OPEB Liability	613,978	-	613,978
Difference Between Expected and Actual Experience	(709,918)	-	(709,918)
Contributions - Employer	-	276,180	(276,180)
Net Investment Income	-	1,513,107	(1,513,107)
Benefit Payments, Including Refunds	(509,493)	(509,493)	-
Administrative Expenses	-	(3,000)	3,000
<i>Net Changes</i>	<u>(532,702)</u>	<u>1,276,794</u>	<u>(1,809,496)</u>
Balance at September 30, 2021	<u>\$ 9,091,114</u>	<u>\$ 9,842,280</u>	<u>\$ (751,166)</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the employer, calculated using the discount rate of 6.50 percent, as well as what the employer's net OPEB liability would be using a discount rate that is 1 percentage point lower or higher than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB Liability	<u>\$ 191,515</u>	<u>\$ (751,166)</u>	<u>\$ (1,558,623)</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the employer, calculated using the healthcare cost trend rate, as well as what the employer's net OPEB liability would be using a healthcare cost trend rate that is 1 percentage point lower or higher than the current rate:

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Net OPEB Liability	<u>\$ (1,579,621)</u>	<u>\$ (751,166)</u>	<u>\$ 211,257</u>

City of Sturgis

Notes to the Financial Statements

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plan

For the year ended September 30, 2021, the City recognized OPEB expense of \$(739,449). At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ -	\$ 642,996
Difference Between Expected and Actual Experience	-	1,379,881
Changes in Assumptions	444,707	-
Total	<u>\$ 444,707</u>	<u>\$ 2,022,877</u>

Amounts reported as deferred outflows/(inflows) of resources will be recognized in OPEB expense (income) as follows:

Year Ending September 30,	Amount
2022	\$ (689,635)
2023	(503,477)
2024	(192,276)
2025	(192,782)

Allocation of Net OPEB Liability and Related Deferred Items

At September 30, 2021, the City allocated its net OPEB liability and related deferrals as follows:

	Governmental Activities	Business-type Activities			
		Electric	Sanitary Sewer	Water	Total
Deferred Outflows of Resources	\$ 337,978	\$ 84,494	\$ 13,341	\$ 8,894	\$ 444,707
Net OPEB Liability (Asset)	(570,886)	(142,722)	(22,535)	(15,023)	(751,166)
Deferred Inflows of Resources	1,537,386	384,347	60,686	40,458	2,022,877

NOTE 14 - CONTINGENT LIABILITIES

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

City of Sturgis

Notes to the Financial Statements

The City is a defendant in various lawsuits. Although, the outcome of these lawsuits are not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 15 - PURCHASED POWER AGREEMENT

The City has entered into an agreement as of May 24, 2006, with Indiana Michigan Power Company (American Electric Power) to purchase electric service on a cost-based formula rate. The contract period runs from July 1, 2006 through May 31, 2026 and includes various cancellation clauses for either party based on advance notification dates or specific circumstances arising. The City receives a monthly invoice which includes a demand charge, energy charge, and a fuel charge. The fuel charge is adjusted monthly from an estimated fuel rate factor to an actual. The contract also includes a formula rate true-up clause which requires a calendar year computation based on actual generation demand and generation energy charges. For the fiscal year ended September 30, 2021, the City incurred purchased power cost under this agreement of \$286,089, which is included in the electric fund as purchased power expense and includes an estimated liability of \$-0- for future true-up cost charges. The City has exercised an option to terminate the AEP contract in the prior year. As a result, the City's expected effective end date for the AEP contract occurred in the fiscal year ended September 30, 2021.

The City, pursuant to a resolution adopted July 12, 2017, expanded to full membership in the Michigan Public Power Agency (the "MPPA") in order to provide additional power supply capacity to meet the needs of its customers. The MPPA is a joint action agency organized in 1978 under the authority of Public Act 448 of 1976. The City participates as a member of the Energy Services Project comprised of 21 members. The agreement includes execution of a risk-based strategy to manage energy supply costs using a rolling forward 5-year plan. The agreement may be terminated by the City or the MPPA after the initial term for any reason upon the provision of at least 120 days' written notice to the other party. For the fiscal year ended September 30, 2021, the City incurred purchased power cost under this agreement of \$11,372,132, which is included in the electric fund as purchased power expense.

The City has entered into an agreement as of May 30, 2019, with Electric City Solar LLC for interconnection with the City's distribution system and to purchase all of the metered energy at a contract rate. The contract term is 25 years and may be renewed or extended upon agreement of the parties. At the end of the term, the City has an option to purchase the property. The amount of power purchased cost under this contract for the year ended September 30, 2021 is \$1,042,922. The solar facility began generating energy in January of 2021.

City of Sturgis

Notes to the Financial Statements

NOTE 16 - TAX ABATEMENTS

The City received reduced property tax revenues during 2021 as a result of industrial facilities tax exemptions (IFT's) and brownfield redevelopment agreements entered into by the City.

The IFT's were entered into based upon the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property in the City. The abatements amounted to \$68,327 in reduced City tax revenues for the year.

Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties. These agreements were entered into based upon the Brownfield Redevelopment Act, PA 381 of 1996, as amended. Under this Act, a municipality may create a brownfield redevelopment authority to develop and implement brownfield projects. Tax increment financing may be used as a tool for property redevelopment. The abatements amounted to \$60,647 in reduced City tax revenues for the year.

City of Sturgis

Notes to the Financial Statements

NOTE 17 - FUND BALANCES - GOVERNMENTAL FUNDS

Fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, is as follows:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Nonspendable			
Inventory	\$ -	\$ 1,640	\$ 1,640
Prepaid Items	-	4,594	4,594
Endowment	-	145,836	145,836
Total Nonspendable	<u>-</u>	<u>152,070</u>	<u>152,070</u>
Restricted			
Streets	-	3,885,941	3,885,941
Cemetery Trust	-	502,070	502,070
Total Restricted	<u>-</u>	<u>4,388,011</u>	<u>4,388,011</u>
Committed			
Streets	-	267,506	267,506
Building Department	-	220,966	220,966
Housing Department	-	47,086	47,086
Cemetery	-	86,607	86,607
Drug Enforcement	-	34,530	34,530
Recreation	-	27,369	27,369
Civic Auditorium	-	238,095	238,095
Doyle Community Center	-	120,809	120,809
Airport	-	271,793	271,793
Capital Projects	-	3,450,057	3,450,057
Total Committed	<u>-</u>	<u>4,764,818</u>	<u>4,764,818</u>
Assigned			
Endowment	-	130,779	130,779
Total Assigned	<u>-</u>	<u>130,779</u>	<u>130,779</u>
Unassigned	<u>3,386,344</u>	<u>-</u>	<u>3,386,344</u>
Total Fund Balance	<u>\$ 3,386,344</u>	<u>\$ 9,435,678</u>	<u>\$ 12,822,022</u>

City of Sturgis

Notes to the Financial Statements

NOTE 18 - NEW ACCOUNTING PRONOUNCEMENT ADOPTED

The City adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, in the current year. As a result of this change, the agency fund was converted from an agency fund into a custodial fund.

REQUIRED SUPPLEMENTARY INFORMATION

City of Sturgis
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the year Ended September 30, 2021

	Budgeted Amounts			Variance Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
Revenues				
Property Taxes	\$ 2,509,690	\$ 2,509,690	\$ 2,545,399	\$ 35,709
Licenses and Permits	60,000	60,000	99,205	39,205
Federal Sources	--	97,213	97,213	--
State Sources	1,941,900	2,834,872	2,834,013	(859)
Charges for Services	4,032,380	4,032,380	4,051,017	18,637
Fines and Forfeits	33,000	33,000	11,489	(21,511)
Investment Income	170,000	20,000	21,294	1,294
Local Contributions	30,000	30,000	31,987	1,987
Rental Income	9,400	9,400	9,923	523
Other	62,650	62,650	83,939	21,289
Total Revenues	8,849,020	9,689,205	9,785,479	96,274
Other Financing Sources				
Sale of Land	--	715,621	715,621	--
Total Revenues and Other Financing Sources	8,849,020	10,404,826	10,501,100	96,274
Expenditures				
Legislative	45,920	45,920	40,748	5,172
General Government	1,327,980	1,387,980	1,345,858	42,122
Public Safety	4,691,850	4,711,850	4,570,211	141,639
Public Works	657,350	807,850	726,363	81,487
Health and Welfare	50,100	50,100	55,020	(4,920)
Recreation and Culture	710,410	710,410	603,586	106,824
Community and Economic Development	225,730	941,351	921,375	19,976
Debt Service	19,040	19,040	18,326	714
Total Expenditures	7,728,380	8,674,501	8,281,487	393,014
Other Financing Uses				
Transfers Out	1,250,940	1,912,394	1,912,394	--
Total Expenditures and Other Financing Uses	8,979,320	10,586,895	10,193,881	393,014
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(130,300)	(182,069)	307,219	489,288
Net Change in Fund Balance	(130,300)	(182,069)	307,219	489,288
Fund Balance at Beginning of Period	3,079,125	3,079,125	3,079,125	--
Fund Balance at End of Period	\$ 2,948,825	\$ 2,897,056	\$ 3,386,344	\$ 489,288

City of Sturgis
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Eight Years

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service Cost	\$ 889,675	\$ 811,934	\$ 838,719	\$ 801,729	\$ 681,111	\$ 728,751	\$ 700,614	\$ 646,831
Interest	2,482,051	2,412,959	2,329,774	2,248,088	2,164,205	2,129,388	2,079,410	1,964,261
Difference Between Expected and Actual Experience	(65,256)	(185,350)	63,583	69,707	200,830	(609,493)	(385,599)	646,323
Change in Assumptions	574,030	-	-	-	(4,006)	2,382,661	-	-
Changes in Benefits	-	-	-	-	-	-	-	(20,349)
Benefit Payments, Including Refunds	(2,057,964)	(1,972,951)	(1,904,895)	(1,857,728)	(1,766,128)	(1,674,660)	(1,596,821)	(1,515,532)
Administrative Expenses	-	-	-	-	-	(39,840)	(60,802)	(64,799)
Net Change in Pension Liability	1,822,536	1,066,592	1,327,181	1,261,796	1,276,012	2,916,807	736,802	1,656,735
<i>Total Pension Liability - Beginning</i>	38,769,545	37,702,953	36,375,772	35,113,976	33,837,964	30,921,157	30,184,355	28,527,620
Total Pension Liability - Ending (a)	\$ 40,592,081	\$ 38,769,545	\$ 37,702,953	\$ 36,375,772	\$ 35,113,976	\$ 33,837,964	\$ 30,921,157	\$ 30,184,355
Plan Fiduciary Net Position								
Contributions - Employer	\$ 760,888	\$ 704,743	\$ 662,986	\$ 484,776	\$ 511,856	\$ 512,328	\$ 559,403	\$ 605,570
Contributions - Member	236,416	224,074	221,347	168,973	165,471	159,472	156,826	115,200
Net Investment Income (Loss)	7,387,408	3,022,640	1,502,779	2,268,382	3,294,014	2,852,212	(393,156)	2,929,450
Benefit Payments, Including Refunds	(2,057,964)	(1,972,951)	(1,904,895)	(1,857,728)	(1,766,128)	(1,674,660)	(1,596,821)	(1,515,532)
Administrative Expenses	(67,465)	(64,195)	(64,329)	(57,848)	(46,542)	(39,840)	(60,802)	(64,799)
Net Change in Plan Fiduciary Net Position	6,259,283	1,914,311	417,888	1,006,555	2,158,671	1,809,512	(1,334,550)	2,069,889
<i>Plan Fiduciary Net Position - Beginning</i>	38,894,103	36,979,792	36,561,904	35,555,349	33,396,678	31,587,166	32,921,716	30,851,827
Plan Fiduciary Net Position - Ending (b)	\$ 45,153,386	\$ 38,894,103	\$ 36,979,792	\$ 36,561,904	\$ 35,555,349	\$ 33,396,678	\$ 31,587,166	\$ 32,921,716
Net Pension Liability (Asset) - Ending (a) - (b)	\$ (4,561,305)	\$ (124,558)	\$ 723,161	\$ (186,132)	\$ (441,373)	\$ 441,286	\$ (666,009)	\$ (2,737,361)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	111.24%	100.32%	98.08%	100.51%	101.26%	98.70%	102.15%	109.07%
Covered Payroll	\$ 6,757,787	\$ 6,239,033	\$ 6,412,526	\$ 6,116,674	\$ 5,532,246	\$ 5,642,470	\$ 5,347,161	\$ 5,090,884
Net Pension Liability as a Percentage of Covered Payroll	-67.50%	-2.00%	11.28%	-3.04%	-7.98%	7.82%	-12.46%	-53.77%

City of Sturgis
Required Supplementary Information
Schedule of Contributions
Last Eight Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 794,622	\$ 710,056	\$ 704,573	\$ 484,776	\$ 511,855	\$ 512,328	\$ 559,403	\$ 605,570
Contributions in Relation to the Actuarially Determined Contribution	760,888	704,743	662,986	505,737	483,387	521,972	561,708	574,553
Contribution Deficiency (Excess)	<u>\$ 33,734</u>	<u>\$ 5,313</u>	<u>\$ 41,587</u>	<u>\$ (20,961)</u>	<u>\$ 28,468</u>	<u>\$ (9,644)</u>	<u>\$ (2,305)</u>	<u>\$ 31,017</u>
Covered Payroll	\$ 6,757,787	\$ 6,239,033	\$ 6,412,526	\$ 6,116,674	\$ 5,532,246	\$ 5,642,470	\$ 5,347,161	\$ 5,090,884
Contributions as a Percentage of Covered Payroll	11.26%	11.30%	10.34%	8.27%	8.74%	9.25%	10.50%	11.29%

Notes

Valuation Date

Actuarially determined contribution rates are calculated as of September 30, which is 24 months prior to the beginning of the fiscal year during which contributions are made.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Individual entry age normal cost
Amortization Method	Level percentage of pay, closed
Remaining Amortization Period	15 years
Asset Valuation Method	Market value with 5-year smoothing; 20% corridor
Inflation	2.50%
Salary Increases	3.25% to 13.25%
Investment Rate of Return	6.50%
Retirement Age	Age and experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2014 Healthy Annuitant Mortality Table for males and females projected to be fully generational with MP-2016 Mortality Improvement Scale.

City of Sturgis
Required Supplementary Information
Schedule of Changes in Net OPEB Liability and Related Ratios
Last Four Years

	2021	2020	2019	2018
Total OPEB Liability				
Service Cost	\$ 72,731	\$ 82,033	\$ 79,871	\$ 72,300
Interest	613,978	685,264	725,959	757,030
Changes in Assumptions	-	889,415	-	(87,285)
Difference Between Expected and Actual Experience	(709,918)	(1,409,130)	(808,155)	(674,013)
Benefit Payments	(509,493)	(651,406)	(513,345)	(525,378)
Net Change in total OPEB Liability	(532,702)	(403,824)	(515,670)	(457,346)
<i>Total OPEB Liability - Beginning</i>	9,623,816	10,027,640	10,543,310	11,000,656
Total OPEB Liability - Ending (a)	\$ 9,091,114	\$ 9,623,816	\$ 10,027,640	\$ 10,543,310
 Plan Fiduciary Net Position				
Contributions - Employer	\$ 276,180	\$ 398,100	\$ 655,140	\$ 907,200
Net Investment Income	1,513,107	528,551	279,965	429,888
Benefit Payments	(509,493)	(651,406)	(513,345)	(525,378)
Trust Administrative Expenses	(3,000)	(9,750)	(12,250)	(18,121)
Net Change in Plan Fiduciary Net Position	1,276,794	265,495	409,510	793,589
<i>Plan Fiduciary Net Position - Beginning</i>	8,565,486	8,299,991	7,890,481	7,096,892
Plan Fiduciary Net Position - Ending (b)	\$ 9,842,280	\$ 8,565,486	\$ 8,299,991	\$ 7,890,481
 Net OPEB Liability - Ending (a) - (b)	\$ (751,166)	\$ 1,058,330	\$ 1,727,649	\$ 2,652,829
 Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	108.26%	89.00%	82.77%	74.84%
 Covered Payroll	\$ 3,176,311	\$ 3,327,727	\$ 3,549,913	\$ 3,748,674
 Net OPEB Liability as a Percentage of Covered Payroll	-23.65%	31.80%	48.67%	70.77%

* Built prospectively upon implementation of GASB 75

City of Sturgis
Required Supplementary Information
Schedule of Contributions - OPEB
Last Four Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 260,132	\$ 366,320	\$ 654,338	\$ 906,796
Contributions in Relation to the Actuarially Determined Contribution	276,180	398,100	655,140	907,200
Contribution Deficiency (Excess)	<u>\$ (16,048)</u>	<u>\$ (31,780)</u>	<u>\$ (802)</u>	<u>\$ (404)</u>
Covered Payroll	\$ 3,176,311	\$ 3,327,727	\$ 3,549,913	\$ 3,748,674
Contributions as a Percentage of Covered Payroll	8.69%	11.96%	18.46%	24.20%

Notes

Valuation Date: September 30, 2020

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal Level % of Salary
Amortization Method	Level Dollar
Remaining Amortization Period	10 Years
Asset Valuation Method	Market Value
Inflation	2.50%
Salary Increases	3.50%
Investment Rate of Return	6.50%
Retirement Age	Average - 62 years
Mortality	A version of PUB-2010 with Scale MP-2018 generational mortality improvement or based on actuarial experience study within the past 5 years.

** Built prospectively upon implementation of GASB 75*

Combining and Individual Fund Statements and Schedules

**City of Sturgis
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2021**

	Special Revenue							
	Major Streets	Local Streets	Municipal Street	Municipal Street/Sidewalk Improvement	Building Department	Housing Department	Cemetery	Drug Enforcement
ASSETS								
Cash and Investments	\$ 1,733,963	\$ 1,362,222	\$ 342,477	\$ 1,486,542	\$ 225,086	\$ 47,578	\$ 97,639	\$ 34,530
Accounts Receivable	--	--	--	--	--	--	--	--
Taxes Receivable	--	--	--	30,100	--	--	--	--
Special Assessments Receivable	--	--	--	10,394	--	--	--	--
Inventory	--	--	--	--	--	--	--	--
Prepaid Items	--	--	--	--	--	--	--	--
Due from Other Governmental Units	91,079	33,244	--	--	--	--	--	--
Total Assets	\$ 1,825,042	\$ 1,395,466	\$ 342,477	\$ 1,527,037	\$ 225,086	\$ 47,578	\$ 97,639	\$ 34,530
LIABILITIES								
Accounts Payable	\$ 221,705	\$ 362,479	\$ 74,971	\$ 208,616	\$ 469	\$ 492	\$ 1,709	\$ --
Accrued Expenses	9,918	7,599	--	--	3,651	--	9,323	--
Customer Deposits	--	--	--	--	--	--	--	--
Unearned Revenue	--	--	--	38,249	--	--	--	--
Total Liabilities	231,623	370,078	74,971	246,865	4,120	492	11,032	--
DEFERRED INFLOWS OF RESOURCES								
Unavailable - Taxes levied for Subsequent Period	--	--	--	13,037	--	--	--	--
Total Liabilities and Deferred Inflows of Resources	231,623	370,078	74,971	259,902	4,120	492	11,032	--
FUND BALANCE								
Nonspendable	--	--	--	--	--	--	--	--
Restricted	1,593,419	1,025,388	--	1,267,134	--	--	--	--
Committed	--	--	267,506	--	220,966	47,086	86,607	34,530
Assigned	--	--	--	--	--	--	--	--
Unassigned	--	--	--	--	--	--	--	--
Total Fund Balance	1,593,419	1,025,388	267,506	1,267,134	220,966	47,086	86,607	34,530
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,825,042	\$ 1,395,466	\$ 342,477	\$ 1,527,036	\$ 225,086	\$ 47,578	\$ 97,639	\$ 34,530

City of Sturgis
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2021

	Special Revenue					Permanent		Total Nonmajor
			Doyle Community Center	Airport	Capital Projects	Cemetery Trust	Endowment Fund	Governmental Funds
	Recreation	Civic Auditorium						
ASSETS								
Cash and Investments	\$ 36,684	\$ 297,126	\$ 212,629	\$ 299,392	\$ 3,450,057	\$ 501,158	\$ 276,615	\$ 10,403,698
Accounts Receivable	--	343	--	5,850	--	912	--	7,105
Taxes Receivable	--	--	--	--	--	--	--	30,100
Special Assessments Receivable	--	--	--	--	--	--	--	10,394
Inventory	--	--	--	1,640	--	--	--	1,640
Prepaid Items	878	--	--	3,716	--	--	--	4,594
Due from Other Governmental Units	--	--	--	--	--	--	--	124,323
Total Assets	\$ 37,562	\$ 297,469	\$ 212,629	\$ 310,598	\$ 3,450,057	\$ 502,070	\$ 276,615	\$ 10,581,854
LIABILITIES								
Accounts Payable	\$ 3,198	\$ 15,118	\$ 54,926	\$ 31,892	\$ --	\$ --	\$ --	\$ 975,575
Accrued Expenses	2,237	4,023	9,544	1,557	--	--	--	47,852
Customer Deposits	--	888	--	--	--	--	--	888
Unearned Revenue	3,880	39,345	27,350	--	--	--	--	108,824
Total Liabilities	9,315	59,374	91,820	33,449	--	--	--	1,133,139
DEFERRED INFLOWS OF RESOURCES								
Unavailable - Taxes levied for Subsequent Period	--	--	--	--	--	--	--	13,037
Total Liabilities and Deferred Inflows of Resources	9,315	59,374	91,820	33,449	--	--	--	1,146,176
FUND BALANCE								
Nonspendable	878	--	--	5,356	--	--	145,836	152,070
Restricted	--	--	--	--	--	502,070	--	4,388,011
Committed	27,369	238,095	120,809	271,793	3,450,057	--	--	4,764,818
Assigned	--	--	--	--	--	--	130,779	130,779
Unassigned	--	--	--	--	--	--	--	--
Total Fund Balance	28,247	238,095	120,809	277,149	3,450,057	502,070	276,615	9,435,678
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 37,562	\$ 297,469	\$ 212,629	\$ 310,598	\$ 3,450,057	\$ 502,070	\$ 276,615	\$ 10,581,854

City of Sturgis
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the year Ended September 30, 2021

	Special Revenue							
	Major Streets	Local Streets	Municipal Street	Municipal Street/Sidewalk Improvement	Building Department	Housing Department	Cemetery	Drug Enforcement
Revenues								
Property Taxes	\$ --	\$ 228,851	\$ --	\$ 740,119	\$ --	\$ --	\$ --	\$ --
Licenses and Permits	--	--	--	--	100,688	--	--	--
Federal Sources	--	--	--	--	--	--	--	--
State Sources	1,086,825	549,604	--	211,898	--	--	--	--
Charges for Services	--	--	--	--	--	--	109,151	--
Local Contributions	--	--	--	--	--	--	--	--
Rental Income	--	--	--	--	--	--	1,584	--
Other	4,499	3,898	--	2,721	--	--	262	--
Investment Income	3,056	2,395	9,486	3,713	839	147	243	103
Total Revenues	1,094,380	784,748	9,486	958,451	101,527	147	111,240	103
Expenditures								
General Government	--	--	--	--	--	--	302,685	--
Public Safety	--	--	--	--	126,238	--	--	2,160
Public Works	909,786	941,990	714,571	525,122	--	--	--	--
Recreation and Culture	--	--	--	--	--	--	--	--
Community and Economic Development	--	--	--	--	--	63,701	--	--
Debt Service - Principal	--	--	--	--	--	--	--	--
Debt Service - Interest	--	--	--	--	--	--	--	--
Total Expenditures	909,786	941,990	714,571	525,122	126,238	63,701	302,685	2,160
Excess of Revenues Over (Under) Expenditures	184,594	(157,242)	(705,085)	433,329	(24,711)	(63,554)	(191,445)	(2,057)
Other Financing Sources (Uses)								
Transfers In	--	--	--	--	--	75,000	240,403	12,000
Transfers Out	--	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	--	--	--	--	--	75,000	240,403	12,000
Net Change in Fund Balance	184,594	(157,242)	(705,085)	433,329	(24,711)	11,446	48,958	9,943
Fund Balance at Beginning of Period	1,408,825	1,182,630	972,591	833,805	245,677	35,640	37,649	24,587
Fund Balance at End of Period	\$ 1,593,419	\$ 1,025,388	\$ 267,506	\$ 1,267,134	\$ 220,966	\$ 47,086	\$ 86,607	\$ 34,530

City of Sturgis
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the year Ended September 30, 2021

	Special Revenue					Permanent		Total Nonmajor Governmental Funds
	Recreation	Civic Auditorium	Doyle Community Center	Airport	Capital Projects	Cemetery Trust	Endowment Fund	
Revenues								
Property Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 968,970
Licenses and Permits	--	--	--	--	--	--	--	100,688
Federal Sources	--	98,042	--	--	--	--	--	98,042
State Sources	--	--	--	--	--	--	--	1,848,327
Charges for Services	53,787	63,084	320,533	61,312	--	8,677	--	616,544
Local Contributions	11,244	80,172	39,868	--	--	--	80,355	211,639
Rental Income	--	12,495	27,868	39,605	--	--	--	81,552
Other	280	13,783	2,375	3,000	--	--	--	30,818
Investment Income	116	256	220	228	33,757	63,110	58,329	175,998
Total Revenues	65,427	267,832	390,864	104,145	33,757	71,787	138,684	4,132,578
Expenditures								
General Government	--	--	--	--	--	--	5,685	308,370
Public Safety	--	--	--	--	--	--	--	128,398
Public Works	--	--	--	278,344	--	--	--	3,369,813
Recreation and Culture	168,740	476,504	518,016	--	--	--	--	1,163,260
Community and Economic Development	--	--	--	--	--	--	35,876	99,577
Debt Service - Principal	--	43,539	23,481	--	--	--	--	67,020
Debt Service - Interest	--	14,976	9,696	--	--	--	--	24,672
Total Expenditures	168,740	535,019	551,193	278,344	--	--	41,561	5,161,110
Excess of Revenues Over (Under) Expenditures	(103,313)	(267,187)	(160,329)	(174,199)	33,757	71,787	97,123	(1,028,532)
Other Financing Sources (Uses)								
Transfers In	110,400	455,680	237,040	350,000	931,454	--	--	2,411,977
Transfers Out	--	--	--	--	(553,000)	(64,423)	--	(617,423)
Net Other Financing Sources (Uses)	110,400	455,680	237,040	350,000	378,454	(64,423)	--	1,794,554
Net Change in Fund Balance	7,087	188,493	76,711	175,801	412,211	7,364	97,123	766,022
Fund Balance at Beginning of Period	21,160	49,602	44,098	101,348	3,037,846	494,706	179,492	8,669,656
Fund Balance at End of Period	\$ 28,247	\$ 238,095	\$ 120,809	\$ 277,149	\$ 3,450,057	\$ 502,070	\$ 276,615	\$ 9,435,678

City of Sturgis
Combining Statement of Net Position
Internal Service Funds
September 30, 2021

	Internal Service			
	Workers' Compensation Insurance	Motor Vehicle and Equipment	Employee Benefit	Total Internal Service Funds
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 100,800	\$ 1,494,651	\$ 406,637	\$ 2,002,088
Accounts Receivable	--	--	15,000	15,000
Inventory	--	1,901	--	1,901
Prepaid Items	85,965	--	--	85,965
Total Current Assets	186,765	1,496,552	421,637	2,104,954
<i>Noncurrent Assets</i>				
Capital Assets not being Depreciated	--	1,216,441	--	1,216,441
Capital Assets being Depreciated	--	1,949,580	--	1,949,580
Total Assets	186,765	4,662,573	421,637	5,270,975
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	4,164	109,724	15,340	129,228
Accrued Expenses	--	3,524	50,000	53,524
Current Portion of Long-term Debt	--	140,508	--	140,508
Total Current Liabilities	4,164	253,756	65,340	323,260
<i>Noncurrent Liabilities</i>				
Long-term Debt	--	1,456,763	--	1,456,763
Total Liabilities	4,164	1,710,519	65,340	1,780,023
NET POSITION				
Net Investment in Capital Assets	--	1,568,750	--	1,568,750
<i>Unrestricted</i>	182,601	1,383,304	356,297	1,922,202
Total Net Position	\$ 182,601	\$ 2,952,054	\$ 356,297	\$ 3,490,952

City of Sturgis
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the year Ended September 30, 2021

	Internal Service			
	Workers' Compensation Insurance	Motor Vehicle and Equipment	Employee Benefit	Total Internal Service Funds
Operating Revenues				
Charges for Services	\$ 97,129	\$ 1,214,014	\$ 2,592,777	\$ 3,903,920
Total Operating Revenues	97,129	1,214,014	2,592,777	3,903,920
Operating Expenses				
Material, Maintenance, and Other	--	420,165	--	420,165
General and Administrative	1,200	112,018	42,454	155,672
Depreciation	--	481,822	--	481,822
Insurance Premiums and Claims	119,447	49,932	2,416,369	2,585,748
Total Operating Expenses	120,647	1,063,937	2,458,823	3,643,407
Operating Income (Loss)	(23,518)	150,077	133,954	260,513
Non-Operating Revenues (Expenses)				
Investment Income	640	14,216	816	15,672
Gain on Sale of Assets	--	118,611	--	118,611
Interest Expense	--	(19,108)	--	(19,108)
Net Non-Operating Revenues (Expenses)	640	113,719	816	115,175
Transfers	(22,878)	263,796	134,770	375,688
Transfers In	--	--	50,000	50,000
Transfers Out	(50,000)	--	--	(50,000)
Change In Net Position	(72,878)	263,796	184,770	375,688
<i>Net Position at Beginning of Period</i>	<i>255,479</i>	<i>2,688,258</i>	<i>171,527</i>	<i>3,115,264</i>
Net Position at End of Period	\$ 182,601	\$ 2,952,054	\$ 356,297	\$ 3,490,952

City of Sturgis
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2021

	Internal Service			
	Workers' Compensation Insurance	Motor Vehicle and Equipment	Employee Benefit	Total Internal Service Funds
Cash Flows from Operating Activities				
Cash Received from Interfund Services	\$ 97,129	\$ 1,214,014	\$ 2,662,223	\$ 3,973,366
Cash Payments for Goods and Services	(113,734)	(437,102)	(2,443,022)	(2,993,858)
Cash Payments to Employees	--	(78,017)	--	(78,017)
Net Cash Provided (Used) by Operating Activities	(16,605)	698,895	219,201	901,491
Cash Flows from Noncapital and Related Financing Activities				
Interfund Transfers	(50,000)	--	50,000	--
Net Cash Provided (Used) by Noncapital and Related Financing Activities	(50,000)	--	50,000	--
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	--	(1,923,107)	--	(1,923,107)
Principal and Interest Paid on Long-term Debt	--	1,104,924	--	1,104,924
Sale of Capital Assets	--	118,611	--	118,611
Net Cash Used by Capital and Related Financing Activities	--	(699,572)	--	(699,572)
Cash Flows from Investing Activities				
Investment Income	640	14,216	816	15,672
Net Cash Provided by from Investing Activities	640	14,216	816	15,672
Net Increase (Decrease) in Cash and Investments	(65,965)	13,539	270,017	217,591
<i>Cash and Investments - Beginning of Year</i>	<i>166,765</i>	<i>1,481,112</i>	<i>136,620</i>	<i>1,784,497</i>
Cash and Investments - End of Year	\$ 100,800	\$ 1,494,651	\$ 406,637	\$ 2,002,088
Reconciliation of Operating Income (Loss) to				
Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ (23,518)	\$ 150,077	\$ 133,954	\$ 260,513
Adjustments to Reconcile Operating Income (Loss) to				
Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	--	481,822	--	481,822
Changes in Assets and Liabilities				
Accounts Receivable	--	--	69,446	69,446
Prepaid Items	2,749	431	50,555	53,735
Accounts Payable	4,164	66,524	(34,754)	35,934
Accrued Expenses	--	41	--	41
Net Cash Provided (Used) by Operating Activities	\$ (16,605)	\$ 698,895	\$ 219,201	\$ 901,491

City of Sturgis
Combining Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2021

	Pension and Benefit Trust		
	Other Postemployment Benefit Trust	Pension Trust	Total Pension and Benefit Trust Funds
ASSETS			
Cash	\$ --	\$ 24,016	\$ 14,199
Interest Receivable	--	60,921	60,921
Due from Brokers	--	91,194	91,194
Investments			
Fixed Income	--	10,328,740	10,328,740
Equities	--	33,969,858	33,969,858
Exchange Traded Funds	--	764,636	764,636
MERS Total Market	9,842,280	--	9,842,280
<i>Total Investments</i>	<u>9,842,280</u>	<u>45,063,234</u>	<u>54,905,514</u>
<i>Total Assets</i>	<u>9,842,280</u>	<u>45,239,365</u>	<u>55,081,645</u>
LIABILITIES			
Due to Brokers	--	85,980	85,980
<i>Total Liabilities</i>	<u>--</u>	<u>85,980</u>	<u>85,980</u>
NET POSITION			
<i>Restricted for:</i>			
Retirement Benefits	<u>\$ 9,842,280</u>	<u>\$ 45,153,385</u>	<u>\$ 54,995,665</u>

City of Sturgis
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year Ended September 30, 2021

	Pension and Benefit Trust		
	Other Postemployment Benefit Trust	Pension Trust	Total Pension and Benefit Trust Funds
Additions			
Contributions			
Employer	\$ 268,980	\$ 533,526	\$ 802,506
Employee/Retiree	131,556	463,779	595,335
Total Contributions	400,536	997,305	1,397,841
Investment Income			
Net Appreciation in Fair Value of Investments	1,589,918	6,803,334	8,393,252
Interest and Dividends	--	819,130	819,130
Less: Investment Expense	(17,214)	(235,058)	(252,272)
Net Investment Income	1,572,704	7,387,406	8,960,110
Total Additions	1,973,240	8,384,711	10,357,951
Deductions			
Benefits	633,850	2,040,729	2,674,579
Refunds	--	17,235	17,235
Administrative Expense	3,000	67,465	70,465
Property Taxes Disbursed to Other Governments	--	--	--
Total Deductions	636,850	2,125,429	2,762,279
Change in Net Position	1,336,390	6,259,282	7,595,672
<i>Net Position at Beginning of Period</i>	<i>8,505,890</i>	<i>38,894,103</i>	<i>47,399,993</i>
Net Position at End of Period	\$ 9,842,280	\$ 45,153,385	\$ 54,995,665

City of Sturgis
Brownfield Redevelopment Authority Balance Sheet and Statement of Net Position
September 30, 2021

	Brownfield Redevelopment Authority	Adjustments	Statement of Net Position
ASSETS			
Cash and Investments	\$ 153,603	\$ --	\$ 153,603
Total Assets	\$ 153,603	\$ --	\$ 153,603
LIABILITIES			
<i>Current Liabilities</i>			
Accrued Interest	\$ --	\$ 209,188	\$ 209,188
Total Current Liabilities	--	209,188	209,188
<i>Noncurrent Liabilities</i>			
Long-term Debt	--	1,566,886 [1]	1,566,886
Total Liabilities	--	1,776,074	1,776,074
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Subsequent Period	62,000	--	62,000
FUND BALANCE			
<i>Restricted for:</i>			
Community and Economic Development	91,603	(91,603)	
Total Fund Balance	91,603	(91,603)	
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 91,603	1,684,471	
NET POSITION			
<i>Restricted for:</i>			
Community and Economic Development		(1,684,471)	(1,684,471)
Total Net Position		\$ (1,684,471)	\$ (1,684,471)

[1] Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

City of Sturgis
Brownfield Redevelopment Authority Statement of Revenues, Expenditures, and
Changes in Fund Balance and Statement of Activities
For the Year Ended September 30, 2021

	Brownfield Redevelopment Authority	Adjustments	Statement of Activities
Revenues			
Property Taxes	\$ 192,833	\$ --	\$ 192,833
Total Revenues	<u>192,833</u>	<u>--</u>	<u>192,833</u>
Expenditures			
Community and Economic Development	105,576	--	105,576
Debt Service - Principal	133,114	(133,114) [1]	--
Debt Service - Interest	--	41,364 [2]	41,364
Total Expenditures	<u>238,690</u>	<u>(91,750)</u>	<u>146,940</u>
Excess of Revenues Over (Under) Expenditures	<u>(45,857)</u>	<u>91,750</u>	<u>45,893</u>
Net Change in Fund Balance / Net Position	<u>(45,857)</u>	<u>91,750</u>	<u>45,893</u>
<i>Fund Balance / Net Position at Beginning of Period</i>	<u>137,460</u>	<u>(1,867,824)</u>	<u>(1,730,364)</u>
Fund Balance / Net Position at End of Period	<u><u>\$ 91,603</u></u>	<u><u>\$ (1,776,074)</u></u>	<u><u>\$ (1,684,471)</u></u>

[1] Current year long-term debt principal payments on bonds payable are expenditures in the fund financial statements but are reductions in long-term debt in the government-wide financial statements.

[2] Expenditures in the statement of activities that do not use current resources are not reported as expenditures in the funds, but rather accrued to subsequent fiscal years.

City of Sturgis
LDFA Balance Sheet and Statement of Net Position
September 30, 2021

	<u>LDFA</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 170,920	\$ --	\$ 170,920
Taxes Receivable	2,062	--	2,062
Total Current Assets	<u>172,982</u>	<u>--</u>	<u>172,982</u>
<i>Noncurrent Assets</i>			
Capital Assets being Depreciated	--	68,306 [1]	68,306
Total Assets	<u>\$ 172,982</u>	<u>\$ 68,306</u>	<u>\$ 241,288</u>
LIABILITIES			
Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	<u>2,044</u>	<u>--</u>	<u>2,044</u>
FUND BALANCE			
<i>Restricted for:</i>			
Community and Economic Development	<u>170,938</u>	<u>(170,938)</u>	<u>--</u>
Total Fund Balance	<u>170,938</u>	<u>(170,938)</u>	<u>--</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 172,982</u>	<u>\$ (170,938)</u>	<u>\$ 2,044</u>
NET POSITION			
Net Investment in Capital Assets		\$ 68,306	\$ 68,306
<i>Restricted for:</i>			
Community and Economic Development		<u>170,938</u>	<u>170,938</u>
Total Net Position		<u>\$ 239,244</u>	<u>\$ 239,244</u>

[1] Capital assets used in LDFA activities are not financial resources and, therefore, are not reported in the funds.

City of Sturgis
LDFA Statement of Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities
For the Year Ended September 30, 2021

	<u>LDFA</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Property Taxes	\$ 2,520	\$ --	\$ 2,520
State Sources	47,575	--	47,575
Investment Income	584	--	584
<i>Total Revenues</i>	<u>50,679</u>	<u>--</u>	<u>50,679</u>
Expenditures			
<i>Total Expenditures</i>	<u>--</u>	<u>--</u>	<u>--</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>50,679</u>	<u>--</u>	<u>50,679</u>
<i>Net Change in Fund Balance / Net Position</i>	<u>50,679</u>	<u>--</u>	<u>50,679</u>
<i>Fund Balance / Net Position at Beginning of Period</i>	120,259	68,306	188,565
<i>Fund Balance / Net Position at End of Period</i>	<u>\$ 170,938</u>	<u>\$ 68,306</u>	<u>\$ 239,244</u>

City of Sturgis
Building Authority Balance Sheet and Statement of Net Position
September 30, 2021

	<u>Building Authority</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 3,069	\$ --	\$ 3,069
Lease Receivable	<u>--</u>	<u>385,000</u> [1]	<u>385,000</u>
Total Current Assets	<u>3,069</u>	<u>385,000</u>	<u>388,069</u>
<i>Noncurrent Assets</i>			
Long-term Lease Receivable	<u>--</u>	<u>6,755,000</u> [1]	<u>6,755,000</u>
Total Assets	<u>\$ 3,069</u>	<u>\$ 7,140,000</u>	<u>\$ 7,143,069</u>
LIABILITIES			
<i>Current Liabilities</i>			
Current Portion of Long-term Debt	\$ --	\$ 385,000 [2]	\$ 385,000
<i>Noncurrent Liabilities</i>			
Long-term Debt	<u>--</u>	<u>6,755,000</u> [2]	<u>6,755,000</u>
Total Liabilities	<u>--</u>	<u>7,140,000</u>	<u>7,140,000</u>
FUND BALANCE			
<i>Restricted for:</i>			
Community and Economic Development	<u>3,069</u>	<u>(3,069)</u>	<u>--</u>
Total Fund Balance	<u>3,069</u>	<u>(3,069)</u>	<u>--</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 3,069</u>	<u>\$ 7,136,931</u>	<u>\$ 7,140,000</u>
NET POSITION			
<i>Restricted for:</i>			
Community and Economic Development		<u>\$ 3,069</u>	<u>\$ 3,069</u>
Total Net Position		<u>\$ 3,069</u>	<u>\$ 3,069</u>

[1] Certain assets are not due and collectible in the current period and, therefore, are not reported in the funds.

[2] Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

City of Sturgis
Building Authority Statement of Revenues, Expenditures, and
Changes in Fund Balance and Statement of Activities
For the Year Ended September 30, 2021

	Building Authority	Adjustments	Statement of Activities
Revenues			
Lease Income	\$ 661,863	\$ (370,000) [1]	\$ 291,863
Total Revenues	<u>661,863</u>	<u>(370,000)</u>	<u>291,863</u>
Expenditures			
Debt Service - Principal	370,000	(370,000) [2]	--
Debt Service - Interest	291,613	--	291,613
Total Expenditures	<u>661,613</u>	<u>(370,000)</u>	<u>291,613</u>
Excess of Revenues Over			
(Under) Expenditures	<u>250</u>	<u>--</u>	<u>250</u>
Net Change in Fund Balance / Net Position	<u>250</u>	<u>--</u>	<u>250</u>
<i>Fund Balance / Net Position at Beginning of Period</i>	2,819	--	2,819
Fund Balance / Net Position at End of Period	<u>\$ 3,069</u>	<u>\$ --</u>	<u>\$ 3,069</u>

[1] Collection of lease receivable is a revenue in the governmental funds but the collection reduces long-term receivables in the statement of net position.

[2] Current year long-term debt principal payments on bonds payable are expenditures in the fund financial statements but are reductions in long-term debt in the government-wide financial statements.

March 31, 2022

To the City Commission
City of Sturgis, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sturgis (the “City”) for the year ended September 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 24, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. The city adopted GASB Statement No. 84 during the current fiscal year as described in **Note 18**. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City’s financial statements were:

- Management’s estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management’s estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuations of the pension and other post-employment plans are based on historical trends and industry standards.

We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 31, 2021.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to management's discussion and analysis, OPEB and pension schedules, and budgetary comparison schedules, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Upcoming Accounting Standards Requiring Preparation

GASB Statement No. 87 – Leases

This new accounting pronouncement will be effective for reporting periods beginning after December 15, 2020. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

We recommend beginning to accumulate information related to all significant lease agreements now in order to more efficiently implement this new standard once it becomes effective.

Updated Uniform Chart of Accounts

In April 2017, the State released an updated Uniform Chart of Accounts. Originally, local units of government were expected to comply with the changes beginning with June 30, 2018 year ends. However, on June 4, 2018, the State extended the deadline for compliance to "sometime in 2019." On November 24, 2020, the State issued a memo that sets an implementation date for fiscal years ending on September 20, 2023 and thereafter. In the coming months, the State has committed to releasing various tools to help local units with implementation. On October 31, 2019, the FAQs will be released along with clarification on what accounts should be used when implementing GASB 84. A significant revision will be issued on December 31, 2019 that will incorporate feedback that the Treasury has received. This revision will include significant changes to the

expenditure accounts 700-999, which will now mirror the old approach that allowed for various numbers within certain ranges. Going forward, the Treasury will issue the following three documents for any future revisions: revised chart of accounts, a marked-up version of the chart showing the changes, and a summary of the revisions report. In addition, the FAQ will be a live document that will be updated as questions arise. Local units can sign up for alerts at this link:

https://public.govdelivery.com/accounts/MITREAS/subscriber/new?qsp=MITREAS_1

The Frequently Asked Questions, Uniform Chart of Accounts, and Implementation Date documents can be located at this link:

https://www.michigan.gov/treasury/0,4679,7-121-1751_2194-171570--,00.html

The City will need to implement the new chart of accounts on October 1, 2022 for the fiscal year ending September 30, 2023.

We will be providing trainings and other resources to our clients over the coming months in order to help prepare for the implementation of all these new standards. In the interim, please reach out to your engagement team for assistance in getting started.

Restriction on Use

This information is intended solely for the information and use of the City Commission and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being a simple loop.

Gabridge & Company, PLC
Sturgis, Michigan