



**CITY OF STURGIS
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2022**

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements	
Governmental Funds	
Balance Sheet	18
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balance	20
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities	21
Proprietary Funds	
Statement of Net Position	22
Statement of Revenues, Expenses, and Changes in Net Position	23
Statement of Cash Flows	24
Fiduciary Funds	
Statement of Fiduciary Net Position	25
Statement of Changes in Fiduciary Net Position	26
Component Units	
Combining Statement of Net Position	27
Combining Statement of Activities	28
Notes to the Financial Statements	30
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	71
Schedule of Changes in Net Pension Liability and Related Ratios	72
Schedule of Contributions - Pension	73
Schedule of Changes in Net OPEB Liability and Related Ratios	74
Schedule of Contributions - OPEB	75

TABLE OF CONTENTS

Page

OTHER SUPPLEMENTARY INFORMATION

Combining Fund Financial Statements

Nonmajor Governmental Funds

Combining Balance Sheet	77
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	79

Internal Service Funds

Combining Statement of Net Position	81
Combining Statement of Revenues, Expenses, and Changes in Net Position	82
Combining Statement of Cash Flows	83

Fiduciary Funds

Combining Statement of Fiduciary Net Position	84
Combining Statement of Changes in Fiduciary Net Position	85

Component Unit Fund Statements

Brownfield Redevelopment Authority

Balance Sheet and Statement of Net Position	86
Statement of Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities	87

Local Development Finance Authority

Balance Sheet and Statement of Net Position	88
Statement of Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities	89

Building Authority

Balance Sheet and Statement of Net Position	90
Statement of Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities	91

Economic Development Corporation

Balance Sheet and Statement of Net Position	92
Statement of Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities	93

INDEPENDENT AUDITOR'S REPORT

To the City Commission
City of Sturgis, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Sturgis (the "City"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor 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 particularly stylized.

Gabridge & Company, PLC
Grand Rapids, Michigan
March 31, 2023

Management's Discussion and Analysis

City of Sturgis
Management's Discussion and Analysis
September 30, 2022

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, 2022. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

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, 2022 by \$101,083,806 (net position). Of this, \$56,142,270 was the net investment in capital assets, \$4,909,768 was restricted, and the remaining was unrestricted with a balance of \$40,031,768.
- At the close of the current fiscal year, the City’s governmental funds reported combined fund balances of \$12,919,267, an increase of \$97,245 in comparison with the prior year. Approximately 23.3% of this amount, or \$3,010,147, 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 \$3,010,147, or 26.2% 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 \$101,083,806 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	
	2022	2021	2022	2021	2022	2021
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 19,107,350	\$ 18,667,423	\$ 23,859,268	\$ 23,489,909	\$ 42,966,618	\$ 42,157,332
Receivables	439,139	375,913	3,700,708	3,878,977	4,139,847	4,254,890
Inventory and Prepaid Items	110,446	94,100	3,636,832	2,936,402	3,747,278	3,030,502
Total Current Assets	19,656,935	19,137,436	31,196,808	30,305,288	50,853,743	49,442,724
<i>Noncurrent Assets</i>						
Restricted Cash and Investments	-	-	161,515	187,549	161,515	187,549
Net Pension Asset	-	2,736,783	-	1,824,522	-	4,561,305
Net Other Postemployment Benefit Asset	535,550	570,886	263,780	180,280	799,330	751,166
Capital Assets, Net	22,984,974	22,262,306	41,641,122	41,337,581	64,626,096	63,599,887
Long-term Receivables	78,063	-	1,657,747	1,566,886	1,735,810	1,566,886
Total Assets	43,255,522	44,707,411	74,920,972	75,402,106	118,176,494	120,109,517
DEFERRED OUTFLOWS OF RESOURCES						
Pension	4,816,216	296,605	1,692,184	197,736	6,508,400	494,341
OPEB	933,470	337,978	459,770	106,729	1,393,240	444,707
Total Deferred Outflows of Resources	5,749,686	634,583	2,151,954	304,465	7,901,640	939,048
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	670,130	1,258,735	1,581,363	1,850,518	2,251,493	3,109,253
Accrued Expenses and Other Liabilities	143,230	295,771	431,985	511,504	575,215	807,275
Unearned Revenue	436,523	174,462	-	-	436,523	174,462
Current Portion of Long-term Debt	217,587	223,761	898,933	825,901	1,116,520	1,049,662
Total Current Liabilities	1,467,470	1,952,729	2,912,281	3,187,923	4,379,751	5,140,652
<i>Noncurrent Liabilities</i>						
Compensated Absences	771,932	717,182	296,000	277,000	1,067,932	994,182
Net Pension Liability	4,809,518	-	1,689,829	-	6,499,347	-
Long-term Debt	1,708,375	1,926,478	5,658,931	6,001,783	7,367,306	7,928,261
Internal Balances	(112,958)	-	112,958	-	-	-
Total Liabilities	8,644,337	4,596,389	10,669,999	9,466,706	19,314,336	14,063,095
DEFERRED INFLOWS OF RESOURCES						
Taxes Levied for a Subsequent Period	3,527,619	2,664,244	-	-	3,527,619	2,664,244
Deferred Lease Revenue	88,569	-	-	-	88,569	-
Pension	83,365	2,482,281	29,291	1,654,855	112,656	4,137,136
OPEB	1,307,270	1,537,386	643,878	485,491	1,951,148	2,022,877
Total Deferred Inflows of Resources	5,006,823	6,683,911	673,169	2,140,346	5,679,992	8,824,257
NET POSITION						
Net Investment in Capital Assets	21,059,012	20,112,067	35,083,258	34,509,897	56,142,270	54,621,964
<i>Restricted</i>	4,748,253	4,533,847	161,515	187,549	4,909,768	4,721,396
<i>Unrestricted</i>	9,546,783	9,415,780	30,484,985	29,402,073	40,031,768	38,817,853
Total Net Position	\$ 35,354,048	\$ 34,061,694	\$ 65,729,758	\$ 64,099,519	\$ 101,083,806	\$ 98,161,213

A large portion of the City's net position (\$56,142,270, or 55.5%) 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 \$4,909,768, or 4.9%. The remaining balance of unrestricted net position was \$40,031,768, or 39.6%, as of September 30, 2022.

Overall increase in cash and investments of \$809,286 can be attributed, in part, to the City's receipt of ARPA funds during the year that have not yet been designated for use. Receivables decreased by \$115,043 primarily due to a decrease of \$266,445 in electric fund accounts receivables coupled with an increase in amounts due from other governmental units of \$151,476 that were primarily for the major and local streets funds activity. Inventory and prepaid items increased by \$716,776 during the year as there were significant purchases of commonly used components for the electric fund in the later part of the year that have not yet been placed into service. The City's pension asset decreased from a previous year asset balance of \$4,651,305 to being a liability balance of \$6,499,347. This decrease is mostly due to investment earnings being below expectations – this is also the primary cause of the large change in the pension related deferred outflows. Decreases in accounts payable and accrued expenses and other liabilities of \$857,760 and \$232,030 respectively, are due to differences in the timing of payment of expenses compared to the previous year as well as the timing of payments for project related costs in the previous year. Unearned were \$262,061 more in the current year than the prior year because the City has not yet earned all of the American Rescue Plan Act ("ARPA") dollars that were disbursed to it during the year. Taxes levied for a subsequent period increased by \$863,375 when compared to the previous year most as the result of the City's decision to change its revenue recognition policy related to taxes for its municipal streets levy to be in line with the recognition policy for the general fund levy.

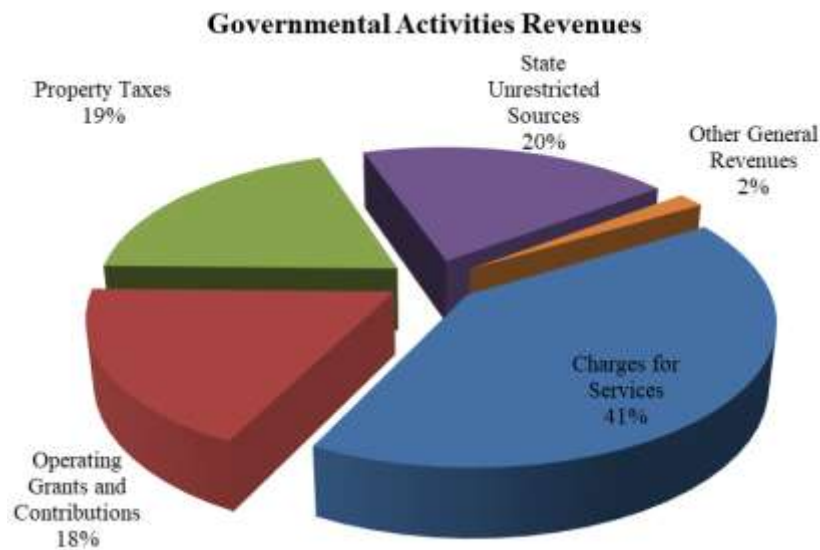
The following table presents a summary of the changes in net position for the years ended September 30, 2022 and September 30, 2021:

City of Sturgis' Changes in Net Position

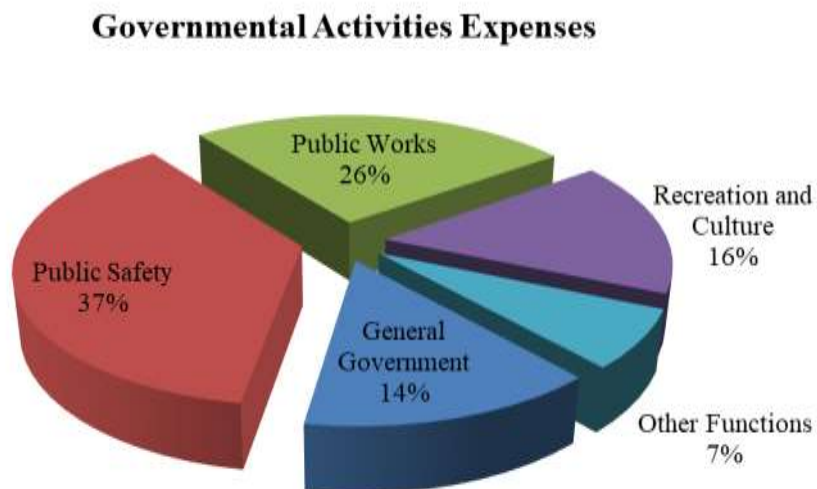
	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues						
Charges for Services	\$ 6,122,057	\$ 5,075,381	\$ 31,417,483	\$ 28,960,322	\$ 37,539,540	\$ 34,035,703
Operating Grants and Contributions	2,681,900	2,088,644	232,160	-	2,914,060	2,088,644
Capital Grants and Contributions	251,167	-	250,000	-	501,167	-
Total Program Revenues	9,055,124	7,164,025	31,899,643	28,960,322	40,954,767	36,124,347
General Revenues						
Property Taxes	2,915,675	3,514,369	-	-	2,915,675	3,514,369
State Unrestricted Sources	2,972,694	3,042,371	-	-	2,972,694	3,042,371
Unrestricted Investment Earnings	(38,772)	212,964	(334,621)	(7,017)	(373,393)	205,947
Other General Revenues	36,900	834,232	-	-	36,900	834,232
Total General Revenues	5,886,497	7,603,936	(334,621)	(7,017)	5,551,876	7,596,919
Total Revenues	14,941,621	14,767,961	31,565,022	28,953,305	46,506,643	43,721,266
Expenses						
Legislative	44,184	12,067	-	-	44,184	12,067
General Government	1,914,540	1,060,014	-	-	1,914,540	1,060,014
Public Safety	5,005,363	3,903,431	-	-	5,005,363	3,903,431
Public Works	3,457,069	2,856,717	-	-	3,457,069	2,856,717
Recreation and Culture	2,195,295	2,083,748	-	-	2,195,295	2,083,748
Health and Welfare	30,037	55,020	-	-	30,037	55,020
Community and Economic Development	807,525	1,020,952	-	-	807,525	1,020,952
Interest on Long-term Debt	58,514	48,470	-	-	58,514	48,470
Electric, Sewer, and Water	-	-	30,071,523	28,266,481	30,071,523	28,266,481
Total Expenses	13,512,527	11,040,419	30,071,523	28,266,481	43,584,050	39,306,900
Change in Net Position before Transfers	1,429,094	3,727,542	1,493,499	686,824	2,922,593	4,414,366
Net Transfers	(136,740)	(117,840)	136,740	117,840	-	-
Change in Net Position	1,292,354	3,609,702	1,630,239	804,664	2,922,593	4,414,366
<i>Net Position at Beginning of Period</i>	<i>34,061,694</i>	<i>30,451,992</i>	<i>64,099,519</i>	<i>63,294,855</i>	<i>98,161,213</i>	<i>93,746,847</i>
Net Position at End of Period	\$ 35,354,048	\$ 34,061,694	\$ 65,729,758	\$ 64,099,519	\$ 101,083,806	\$ 98,161,213

Governmental Activities. Governmental activities increased the City's net position by \$1,292,354 for the year ended September 30, 2022 compared to an increase of \$3,609,702 for the prior year. Total revenues increased by \$2,785,377 and total expenses increased by \$4,277,150. The City's charges for services increased by \$1,046,676 during the year largely as a result of the easing of COVID-19 related restrictions, allowing the City's services to return to a more normal level. Increases in operating grants and contributions of \$593,256 were driven by ARPA revenues while the \$251,167 increase in capital grants was the result of a contribution from the County. Property taxes decreased \$598,694 from the previous year as a result of the aforementioned change in revenue recognition policy related to taxes revenues for the municipal streets levy. Some of the City's investments experienced losses in value during the year which was the reason for the \$251,736 decrease in unrestricted investment earnings. Increases in governmental activities expenses follow the increase in charges for services revenues while also reflecting additional costs related to pension expense recognition.

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 \$1,630,239 for the year ended September 30, 2022 compared to an increase of \$804,664 in the prior year.

Key components of this change are as follows:

- The electric fund had an increase in net position of \$677,513, due to increased charges for services revenues during the year.
- The sanitary sewer fund had an increase in net position of \$793,725 which is comparable with prior year.
- The water fund had an increase in net position of \$130,548 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, 2022, the City's governmental funds reported combined fund balances of \$12,919,267, an increase of \$97,245 in comparison with the prior year. Approximately 23.3% of this amount, or \$3,010,147, 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, (\$179,302, or 1.4%, for prepaid and inventory items and nonexpendable endowments), 2) restricted for particular purposes, \$4,602,534, or 35.6%, 3) assigned for specific purposes, \$17,583, or 0.1%, or 4) committed for specific purposes, \$5,109,701, or 39.6%.

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 \$3,010,147 which was a decrease in fund balance of \$376,197. 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 26.2% 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, 2022:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Legislative	\$ 46,940	\$ 47,434	\$ (494)
General Government	1,456,086	1,489,881	(33,795)
Public Safety	4,855,212	4,940,582	(85,370)
Recreation and Culture	\$ 1,610,602	\$ 1,622,923	\$ (12,321)

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, 2022 amounted to \$64,626,096 (net of accumulated depreciation). Of this amount, \$22,984,974 was for its governmental activities and \$41,641,122 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 \$1,078,225 and issued \$588,732 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.

Management estimates that approximately \$11.2 million of revenues will be available for appropriation in the general fund in the upcoming budget. Expenditures are expected to change by small amounts compared to 2022. The City continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2023, the City plans again to use current revenues to provide essential services and to maintain the City’s financial reserves at similar levels. The ongoing costs of providing essential services for the citizens of the City will again need to be monitored in order to maintain the financial condition of the City.

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.

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, 2022

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 19,107,350	\$ 23,859,268	\$ 42,966,618	\$ 560,230
Accounts Receivable	122,905	3,274,297	3,397,202	1,557
Notes Receivable	--	59,243	59,243	--
Taxes Receivable	31,898	--	31,898	77,170
Special Assessments Receivable	19,835	--	19,835	--
Lease Receivable	9,387	--	9,387	410,000
Interest Receivable	--	327,968	327,968	--
Inventory	30,685	2,099,035	2,129,720	--
Prepaid Items	79,761	1,537,797	1,617,558	2,881
Due from Other Governmental Units	255,114	39,200	294,314	--
Total Current Assets	19,656,935	31,196,808	50,853,743	1,051,838
<i>Noncurrent Assets</i>				
Restricted Cash and Investments	--	161,515	161,515	--
Long-term Notes Receivable	--	1,657,747	1,657,747	--
Long-term Lease Receivable	78,063	--	78,063	6,345,000
Capital Assets not being Depreciated	3,480,830	2,390,069	5,870,899	991,388
Capital Assets being Depreciated	19,504,144	39,251,053	58,755,197	19,713
OPEB Asset	535,550	263,780	799,330	--
Total Assets	43,255,522	74,920,972	118,176,494	8,407,939
DEFERRED OUTFLOWS OF RESOURCES				
Pension Related	4,816,216	1,692,184	6,508,400	--
OPEB Related	933,470	459,770	1,393,240	--
Total Deferred Outflows of Resources	5,749,686	2,151,954	7,901,640	--
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	670,130	1,581,363	2,251,493	3,660
Accrued Expenses	138,605	118,439	257,044	439
Accrued Interest	--	25,644	25,644	245,165
Customer Deposits	4,625	287,902	292,527	--
Unearned Revenue	436,523	--	436,523	140,454
Current Portion of Long-term Debt	217,587	898,933	1,116,520	532,858
Total Current Liabilities	1,467,470	2,912,281	4,379,751	922,576
<i>Noncurrent Liabilities</i>				
Compensated Absences	771,932	296,000	1,067,932	--
Long-term Debt	1,708,375	5,658,931	7,367,306	7,734,078
Net Pension Liability	4,809,518	1,689,829	6,499,347	--
Advance from Primary Government	--	--	--	200,000
Internal Balances	(112,958)	112,958	--	--
Total Liabilities	8,644,337	10,669,999	19,314,336	8,856,654
DEFERRED INFLOWS OF RESOURCES				
Taxes Levied for a Subsequent Period	3,527,619	--	3,527,619	116,170
Deferred Lease Revenue	88,569	--	88,569	--
Pension Related	83,365	29,291	112,656	--
OPEB Related	1,307,270	643,878	1,951,148	--
Total Deferred Inflows of Resources	5,006,823	673,169	5,679,992	116,170
NET POSITION				
Net Investment in Capital Assets	21,059,012	35,083,258	56,142,270	991,388
<i>Restricted for:</i>				
Debt Service	--	161,515	161,515	--
Streets	4,186,270	--	4,186,270	--
Cemetery Trust	416,264	--	416,264	--
Nonexpendable Endowments	145,719	--	145,719	--
<i>Unrestricted</i>	9,546,783	30,484,985	40,031,768	(1,556,273)
Total Net Position	\$ 35,354,048	\$ 65,729,758	\$ 101,083,806	\$ (564,885)

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, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
Primary Government								
Governmental Activities:								
Legislative	\$ 44,184	\$ --	\$ --	\$ --	\$ (44,184)	\$ --	\$ (44,184)	\$ --
General Government	1,914,540	3,498,822	662,083	--	2,246,365	--	2,246,365	--
Public Safety	5,005,363	337,442	3,184	--	(4,664,737)	--	(4,664,737)	--
Public Works	3,457,069	1,585,283	1,708,680	--	(163,106)	--	(163,106)	--
Health and Welfare	30,037	--	--	--	(30,037)	--	(30,037)	--
Recreation and Culture	2,195,295	700,510	307,953	251,167	(935,665)	--	(935,665)	--
Community and Economic Development	807,525	--	--	--	(807,525)	--	(807,525)	--
Interest on Long-term Debt	58,514	--	--	--	(58,514)	--	(58,514)	--
Total Governmental Activities	13,512,527	6,122,057	2,681,900	251,167	(4,457,403)	--	(4,457,403)	--
Business-type Activities:								
Electric	25,018,924	25,763,711	--	250,000	--	994,787	994,787	--
Sanitary Sewer	2,872,283	3,561,597	--	--	--	689,314	689,314	--
Water	1,879,687	1,995,277	--	--	--	115,590	115,590	--
Ambulance (Nonmajor)	300,629	96,898	232,160	--	--	28,429	28,429	--
Total Business-type Activities	30,071,523	31,417,483	232,160	250,000	--	1,828,120	1,828,120	--
Total Primary Government	\$ 43,584,050	\$ 37,539,540	\$ 2,914,060	\$ 501,167	\$ (4,457,403)	\$ 1,828,120	\$ (2,629,283)	--
Component Units								
Brownfield Redevelopment Authority	\$ 133,739	\$ --	\$ --	\$ --	--	--	--	(133,739)
Local Development Finance Authority	18,751	--	--	--	--	--	--	(18,751)
Building Authority	280,513	280,763	--	--	--	--	--	250
Downtown Development Authority	509,617	55,254	200,000	--	--	--	--	(254,363)
Economic Development Corporation	--	--	--	308,000	--	--	--	308,000
Total Component Units	\$ 942,620	\$ 336,017	\$ 200,000	\$ 308,000	--	--	--	(98,603)

General Purpose Revenues and Transfers:

Revenues

Property Taxes	2,915,675	--	2,915,675	265,684
Investment Income (Loss)	(38,772)	(334,621)	(373,393)	708
State Sources	2,972,694	--	2,972,694	59,339
Gain (Loss) on Sale of Assets	36,900	--	36,900	(27,395)

Transfers

	(136,740)	136,740	--	--
Total General Revenues and Transfers	5,749,757	(197,881)	5,551,876	298,336
Change in Net Position	1,292,354	1,630,239	2,922,593	199,733
<i>Net Position at Beginning of Period</i>	<i>34,061,694</i>	<i>64,099,519</i>	<i>98,161,213</i>	<i>(764,618)</i>
Net Position at End of Period	\$ 35,354,048	\$ 65,729,758	\$ 101,083,806	\$ (564,885)

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

City of Sturgis
Balance Sheet
Governmental Funds
September 30, 2022

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 6,408,388	\$ 10,651,229	\$ 17,059,617
Accounts Receivable	37,486	15,691	53,177
Taxes Receivable	25,063	6,835	31,898
Special Assessments Receivable	3,400	16,435	19,835
Lease Receivable	--	9,387	9,387
Inventory	--	28,909	28,909
Prepaid Items	--	4,674	4,674
Due from Other Governmental Units	1,713	253,401	255,114
Long-term Lease Receivable	--	78,063	78,063
Advances Due from Other Funds	--	112,958	112,958
Total Assets	\$ 6,476,050	\$ 11,177,582	\$ 17,653,632
LIABILITIES			
Accounts Payable	\$ 203,438	\$ 385,977	\$ 589,415
Accrued Expenses	67,108	20,506	87,614
Customer Deposits	--	4,625	4,625
Unearned Revenue	409,845	26,678	436,523
Total Liabilities	680,391	437,786	1,118,177
DEFERRED INFLOWS OF RESOURCES			
Taxes Levied for a Subsequent Period	2,785,512	742,107	3,527,619
Deferred Lease Revenue	--	88,569	88,569
Total Liabilities and Deferred Inflows of Resources	3,465,903	1,268,462	4,734,365
FUND BALANCE			
Nonspendable	--	179,302	179,302
Restricted	--	4,602,534	4,602,534
Committed	--	5,109,701	5,109,701
Assigned	--	17,583	17,583
Unassigned	3,010,147	--	3,010,147
Total Fund Balance	3,010,147	9,909,120	12,919,267
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 6,476,050	\$ 11,177,582	\$ 17,653,632

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, 2022

Total Fund Balance - Governmental Funds	\$ 12,919,267
are treated as governmental in the entity-wide statements	3,616,433
General government capital assets of \$42,284,474, net of accumulated depreciation of \$22,309,752, are not financial resources and, accordingly, are not reported in the funds.	19,974,722
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.	(76,667)
Compensated absences are not due in and payable in the current period and, therefore, are not reported in the funds.	(771,932)
The net OPEB asset is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.	161,750
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(469,525)
Total Net Position-Governmental Funds	\$ <u>35,354,048</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, 2022

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property Taxes	\$ 2,644,718	\$ 270,957	\$ 2,915,675
Licenses and Permits	120,166	222,702	342,868
Federal Sources	645,000	62,021	707,021
State Sources	2,796,551	1,938,327	4,734,878
Charges for Services	3,993,045	766,161	4,759,206
Fines and Forfeits	22,166	--	22,166
Local Contributions	17,083	425,770	442,853
Rental Income	--	131,627	131,627
Other	836,925	50,274	887,199
Investment Income (Loss)	42,153	(124,630)	(82,477)
Total Revenues	11,117,807	3,743,209	14,861,016
Expenditures			
Legislative	47,434	--	47,434
General Government	1,489,881	335,677	1,825,558
Public Safety	4,940,582	148,531	5,089,113
Public Works	668,324	2,498,080	3,166,404
Health and Welfare	30,037	--	30,037
Recreation and Culture	1,622,923	1,929,295	3,552,218
Community and Economic Development	404,995	402,530	807,525
Debt Service - Principal	14,138	69,305	83,443
Debt Service - Interest	3,930	21,369	25,299
Total Expenditures	9,222,244	5,404,787	14,627,031
Excess of Revenues Over (Under) Expenditures	1,895,563	(1,661,578)	233,985
Other Financing Sources (Uses)			
Transfers In	--	2,613,514	2,613,514
Transfers Out	(2,271,760)	(478,494)	(2,750,254)
Net Other Financing Sources (Uses)	(2,271,760)	2,135,020	(136,740)
Net Change in Fund Balance	(376,197)	473,442	97,245
Fund Balance at Beginning of Period	3,386,344	9,435,678	12,822,022
Fund Balance at End of Period	\$ 3,010,147	\$ 9,909,120	\$ 12,919,267

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, 2022

Total Net Change in Fund Balances - Governmental Funds	\$ 97,245
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	125,481
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 \$2,889,148 exceeds depreciation expense of \$2,010,710.	878,437
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.	(54,750)
The statement of activities reports changes to net pension liability and pension related deferrals as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions.	(627,774)
The statement of activities reports changes to net OPEB liability and OPEB related deferrals as OPEB expense; however, the expenditures recorded on the governmental funds equals actual OPEB contributions.	790,272
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.	83,443
Changes in Net Position-Governmental Funds	\$ <u>1,292,354</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, 2022

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Electric	Sanitary Sewer	Water	Ambulance (Nonmajor)	Total Enterprise Funds	
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 17,526,512	\$ 4,975,060	\$ 1,357,696	\$ --	\$ 23,859,268	\$ 2,047,733
Accounts Receivable	2,704,293	349,767	174,729	45,508	3,274,297	69,728
Notes Receivable	59,243	--	--	--	59,243	--
Interest Receivable	327,968	--	--	--	327,968	--
Inventory	1,963,572	54,691	80,772	--	2,099,035	1,776
Prepaid Items	1,537,797	--	--	--	1,537,797	75,087
Due from Other Governmental Units	--	--	--	39,200	39,200	--
Total Current Assets	24,119,385	5,379,518	1,613,197	84,708	31,196,808	2,194,324
<i>Noncurrent Assets</i>						
Restricted Cash and Investments	52,515	109,000	--	--	161,515	--
Long-term Notes Receivable	1,657,747	--	--	--	1,657,747	--
Capital Assets not being Depreciated	1,417,666	891,440	80,963	--	2,390,069	1,216,441
Capital Assets being Depreciated	18,739,521	14,054,634	5,833,670	623,228	39,251,053	1,793,811
OPEB Asset	151,873	71,940	39,967	--	263,780	--
Advances Due from Other Funds	998,336	--	--	--	998,336	--
Total Assets	47,137,043	20,506,532	7,567,797	707,936	75,919,308	5,204,576
DEFERRED OUTFLOWS OF RESOURCES						
Pension Related	1,431,848	195,252	65,084	--	1,692,184	--
OPEB Related	264,716	125,392	69,662	--	459,770	--
Total Deferred Outflows of Resources	1,696,564	320,644	134,746	--	2,151,954	--
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	1,243,279	243,888	86,702	7,494	1,581,363	80,715
Accrued Expenses	102,928	5,838	6,533	3,140	118,439	50,991
Accrued Interest	21,140	2,252	2,252	--	25,644	--
Customer Deposits	287,902	--	--	--	287,902	--
Current Portion of Long-term Debt	204,840	556,818	81,818	55,457	898,933	131,444
Total Current Liabilities	1,860,089	808,796	177,305	66,091	2,912,281	263,150
<i>Noncurrent Liabilities</i>						
Compensated Absences	221,000	64,000	11,000	--	296,000	--
Long-term Debt	658,135	4,179,822	320,540	500,434	5,658,931	1,324,993
Net Pension Liability	1,429,856	194,980	64,993	--	1,689,829	--
Advances Due To Other Funds	--	--	998,336	112,958	1,111,294	--
Total Liabilities	4,169,080	5,247,598	1,572,174	679,483	11,668,335	1,588,143
DEFERRED INFLOWS OF RESOURCES						
Pension Related	24,784	3,380	1,127	--	29,291	--
OPEB Related	370,718	175,603	97,557	--	643,878	--
Total Deferred Inflows of Resources	395,502	178,983	98,684	--	673,169	--
NET POSITION						
Net Investment in Capital Assets	19,294,212	10,209,434	5,512,275	67,337	35,083,258	1,553,815
<i>Restricted for:</i>						
Debt Service	52,515	109,000	--	--	161,515	--
<i>Unrestricted</i>	24,922,298	5,082,161	519,410	(38,884)	30,484,985	2,062,618
Total Net Position	\$ 44,269,025	\$ 15,400,595	\$ 6,031,685	\$ 28,453	\$ 65,729,758	\$ 3,616,433

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, 2022

	Business-type Activities - Enterprise Funds					Governmental
	Electric	Sanitary Sewer	Water	Ambulance (Nonmajor)	Total Enterprise Funds	Activities Internal Service Funds
Operating Revenues						
Charges for Services	\$ 25,274,984	\$ 3,476,940	\$ 1,982,359	\$ 96,898	\$ 30,831,181	\$ 4,256,522
Total Operating Revenues	<u>25,274,984</u>	<u>3,476,940</u>	<u>1,982,359</u>	<u>96,898</u>	<u>30,831,181</u>	<u>4,256,522</u>
Operating Expenses						
Material, Maintenance, and Other	18,322,975	906,323	823,552	215,688	20,268,538	562,535
General and Administrative	2,492,303	626,975	407,017	44,398	3,570,693	177,101
Payments in Lieu of Taxes	2,295,420	241,440	115,800	--	2,652,660	--
Depreciation	1,856,613	982,761	498,441	35,235	3,373,050	499,887
Insurance Premiums and Claims	--	--	--	--	--	2,938,908
Total Operating Expenses	<u>24,967,311</u>	<u>2,757,499</u>	<u>1,844,810</u>	<u>295,321</u>	<u>29,864,941</u>	<u>4,178,431</u>
Operating Income (Loss)	<u>307,673</u>	<u>719,441</u>	<u>137,549</u>	<u>(198,423)</u>	<u>966,240</u>	<u>78,091</u>
Non-Operating Revenues (Expenses)						
Investment Income (Loss)	(397,314)	47,711	18,873	24	(330,706)	43,705
Gain (Loss) on Sale of Assets	--	--	--	--	--	36,900
Rental Income	197,115	1,592	2,410	--	201,117	--
Other Revenue	291,612	83,065	6,593	--	381,270	--
Federal Grant - Capital	--	--	--	232,160	232,160	--
State Grant - Capital	250,000	--	--	--	250,000	--
Interest Expense	(51,613)	(114,784)	(34,877)	(5,308)	(206,582)	(33,215)
Net Non-Operating Revenues (Expenses)	<u>289,800</u>	<u>17,584</u>	<u>(7,001)</u>	<u>226,876</u>	<u>527,259</u>	<u>47,390</u>
Income Before Contributions and Transfers	<u>597,473</u>	<u>737,025</u>	<u>130,548</u>	<u>28,453</u>	<u>1,493,499</u>	<u>125,481</u>
Transfers In	80,040	56,700	--	--	136,740	50,000
Transfers Out	--	--	--	--	--	(50,000)
Change In Net Position	<u>677,513</u>	<u>793,725</u>	<u>130,548</u>	<u>28,453</u>	<u>1,630,239</u>	<u>125,481</u>
<i>Net Position at Beginning of Period</i>	43,591,512	14,606,870	5,901,137	--	64,099,519	3,490,952
Net Position at End of Period	<u>\$ 44,269,025</u>	<u>\$ 15,400,595</u>	<u>\$ 6,031,685</u>	<u>\$ 28,453</u>	<u>\$ 65,729,758</u>	<u>\$ 3,616,433</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, 2022**

	Business-type Activities - Enterprise Funds					Governmental Activities Internal Service Funds
	Electric	Sanitary Sewer	Water	Ambulance (Nonmajor)	Total Enterprise Funds	
Cash Flows from Operating Activities						
Cash Received from Interfund Services	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 4,201,794
Cash Received from Customers and Users	25,541,431	3,506,454	1,981,817	12,190	31,041,892	--
Cash Payments to Employees and Suppliers	(24,016,018)	(1,690,505)	(1,444,523)	(249,452)	(27,400,498)	(3,718,587)
Net Cash Provided by Operating Activities	1,525,413	1,815,949	537,294	(237,262)	3,641,394	483,207
Cash Flows from Capital and Related Financing Activities						
Purchase of Capital Assets	(1,168,645)	(1,186,286)	(663,197)	(658,463)	(3,676,591)	(344,118)
Sale of Capital Assets	--	--	--	--	--	36,900
State Grant - Capital	250,000	--	--	--	250,000	--
Federal Grant - Capital	--	--	--	232,160	232,160	--
Principal and Interest Paid on Long-term Debt	(254,434)	(661,386)	(116,479)	550,583	(481,716)	(174,049)
Net Cash Used by Capital and Related Financing Activities	(1,173,079)	(1,847,672)	(779,676)	124,280	(3,676,147)	(481,267)
Cash Flows from Noncapital Financing Activities						
Interfund Advances	264,663	--	(264,663)	112,958	112,958	--
Transfers In	80,040	56,700	--	--	136,740	--
Rental Income	197,115	1,592	2,410	--	201,117	--
Other Non-operating Revenue	291,612	83,065	6,593	--	381,270	--
Net Cash Provided (Used) by Noncapital Financing Activities	833,430	141,357	(255,660)	112,958	832,085	--
Cash Flows from Investing Activities						
Investment Income	(397,314)	47,711	18,873	24	(330,706)	43,705
Collection on Notes Receivable and Related Interest Receivable	(123,301)	--	--	--	(123,301)	--
Change in Restricted Assets	78,549	109,000	--	--	187,549	--
Net Cash Provided by Investing Activities	(442,066)	156,711	18,873	24	(266,458)	43,705
Net Increase (Decrease) in Cash and Investments	743,698	266,345	(479,169)	--	530,874	45,645
<i>Cash and Investments - Beginning of Year</i>	<i>16,835,329</i>	<i>4,817,715</i>	<i>1,836,865</i>	<i>--</i>	<i>23,489,909</i>	<i>2,002,088</i>
<i>Cash and Investments - End of Year</i>	<i>\$ 17,579,027</i>	<i>\$ 5,084,060</i>	<i>\$ 1,357,696</i>	<i>\$ --</i>	<i>\$ 24,020,783</i>	<i>\$ 2,047,733</i>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities						
Operating Income (Loss)	\$ 307,673	\$ 719,441	\$ 137,549	\$ (198,423)	\$ 966,240	\$ 78,091
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities						
Depreciation Expense	1,856,613	982,761	498,441	35,235	3,373,050	499,887
Changes in Assets, Liabilities, and Related Deferrals						
Accounts Receivable	266,445	29,514	(542)	(45,508)	249,909	(54,728)
Inventory	(229,427)	(8,157)	487	--	(237,097)	125
Prepaid Items	(463,338)	3	2	--	(463,333)	10,878
Due from Other Governmental Units	--	--	--	(39,200)	(39,200)	--
Accounts Payable	(278,786)	82,976	(80,839)	7,494	(269,155)	(48,513)
Accrued Expenses	(53,482)	(15,268)	(8,597)	3,140	(74,207)	(2,533)
Customer Deposits	2	--	--	--	2	--
Compensated Absences	6,000	13,000	--	--	19,000	--
Net Pension Asset/Liability & Related Deferrals	316,715	58,218	19,406	--	394,339	--
Other Post-Employment Benefits Liability & Related Deferrals	(203,002)	(46,539)	(28,613)	--	(278,154)	--
Net Cash Provided by Operating Activities	\$ 1,525,413	\$ 1,815,949	\$ 537,294	\$ (237,262)	\$ 3,641,394	\$ 483,207

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, 2022

	<u>Pension and Benefit Trust</u>	<u>Custodial</u>
ASSETS		
Cash and Investments	\$ 55,591	\$ 1,336,579
Interest Receivable	54,976	--
Investments		
Fixed Income	8,339,983	--
Equities	26,515,556	--
Exchange Traded Funds	654,971	--
MERS Total Market	8,328,715	--
<i>Total Investments</i>	<u>43,839,225</u>	<u>--</u>
<i>Total Assets</i>	<u>43,949,792</u>	<u>1,336,579</u>
LIABILITIES		
Due to Other Governmental Units	--	1,336,579
Due to Brokers	92,560	--
<i>Total Liabilities</i>	<u>92,560</u>	<u>1,336,579</u>
NET POSITION		
<i>Restricted for:</i>		
Retirement Benefits	<u>\$ 43,857,232</u>	<u>\$ --</u>

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, 2022

	Pension and Benefit Trust	Custodial
Additions		
Contributions		
Employer	\$ 1,077,909	\$ --
Employee/Retiree	287,912	--
Total Contributions	<u>1,365,821</u>	<u>--</u>
Investment Income		
Net Appreciation (Depreciation) in Fair Value of Investments	(10,653,352)	--
Interest and Dividends	928,688	--
Less: Investment Expense	213,752	--
Net Investment Income	<u>(9,938,416)</u>	<u>--</u>
Other Additions		
Property Taxes Collected for Other Governments	--	9,098,073
Total Additions	<u>(8,572,595)</u>	<u>9,098,073</u>
Deductions		
Benefits	2,499,114	--
Refunds	163	--
Administrative Expense	66,561	--
Property Taxes Disbursed to Other Governments	--	9,098,073
Total Deductions	<u>2,565,838</u>	<u>9,098,073</u>
Change in Net Position	<u>(11,138,433)</u>	<u>--</u>
<i>Net Position at Beginning of Period</i>	54,995,665	--
Net Position at End of Period	<u>\$ 43,857,232</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, 2022

	Brownfield Redevelopment Authority	Local Development Finance	Building Authority	Downtown Development Authority	Economic Development Corporation	Total Component Units
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 101,317	\$ 208,699	\$ 137,800	\$ 111,875	\$ 539	\$ 560,230
Accounts Receivable	--	--	--	1,557	--	1,557
Taxes Receivable	--	57,341	--	19,829	--	77,170
Lease Receivable	--	--	410,000	--	--	410,000
Prepaid Items	--	--	--	2,881	--	2,881
Total Current Assets	101,317	266,040	547,800	136,142	539	1,051,838
<i>Noncurrent Assets</i>						
Long-term Lease Receivable	--	--	6,345,000	--	--	6,345,000
Capital Assets not being Depreciated	--	68,306	--	--	923,082	991,388
Capital Assets being Depreciated	--	--	--	19,713	--	19,713
Total Assets	101,317	334,346	6,892,800	155,855	923,621	8,407,939
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	--	100	--	3,560	--	3,660
Accrued Expenses	--	--	--	439	--	439
Accrued Interest	245,165	--	--	--	--	245,165
Unearned Revenue	--	--	134,481	5,973	--	140,454
Current Portion of Long-term Debt	109,139	--	410,000	13,719	--	532,858
Total Current Liabilities	354,304	100	544,481	23,691	--	922,576
<i>Noncurrent Liabilities</i>						
Long-term Debt	1,348,608	--	6,345,000	40,470	--	7,734,078
Advance from Primary Government	--	--	--	200,000	--	200,000
Total Liabilities	1,702,912	100	6,889,481	264,161	--	8,856,654
DEFERRED INFLOWS OF RESOURCES						
Taxes Levied for a Subsequent Period	--	57,341	--	58,829	--	116,170
Total Deferred Inflows of Resources	--	57,341	--	58,829	--	116,170
NET POSITION						
Net Investment in Capital Assets	--	68,306	--	--	923,082	991,388
<i>Unrestricted</i>	(1,601,595)	208,599	3,319	(167,135)	539	(1,556,273)
Total Net Position	\$ (1,601,595)	\$ 276,905	\$ 3,319	\$ (167,135)	\$ 923,621	\$ (564,885)

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, 2022

	Brownfield Redevelopment Authority	Local Development Finance	Building Authority	Downtown Development Authority	Economic Development Corporation	Total Component Units
Expenses						
Community and Economic Development	\$ 97,762	\$ 18,751	\$ --	\$ 507,596	\$ --	\$ 624,109
Debt Service - Interest	35,977	--	280,513	2,021	--	318,511
Total Expenses	133,739	18,751	280,513	509,617	--	942,620
Program Revenues						
Charges for services	--	--	280,763	55,254	--	336,017
Operating grants and contributions	--	--	--	200,000	--	200,000
Capital grants and contributions	--	--	--	--	308,000	308,000
Total Program Revenues	--	--	280,763	255,254	308,000	844,017
Net Program Revenues (Expenses)	(133,739)	(18,751)	250	(254,363)	308,000	(98,603)
General Revenue						
Property Taxes	216,615	316	--	48,753	--	265,684
State Sources	--	55,543	--	3,796	--	59,339
Investment Income (Loss)	--	553	--	155	--	708
Gain (Loss) on Sale of Assets	--	--	--	(27,395)	--	(27,395)
Total General Revenues	216,615	56,412	--	25,309	--	298,336
Change in Net Position	82,876	37,661	250	(229,054)	308,000	199,733
<i>Net Position at Beginning of Period</i>	<i>(1,684,471)</i>	<i>239,244</i>	<i>3,069</i>	<i>61,919</i>	<i>615,621</i>	<i>(764,618)</i>
Net Position at End of Period	\$ (1,601,595)	\$ 276,905	\$ 3,319	\$ (167,135)	\$ 923,621	\$ (564,885)

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.

The *Economic Development Corporation of the City of Sturgis* was established to provide a business-friendly environment as well as access to services and resources to make starting, or expanding a business in the City of Sturgis as positive as possible.

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.

City of Sturgis

Notes to the Financial Statements

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.

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.

City of Sturgis

Notes to the Financial Statements

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

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.

City of Sturgis

Notes to the Financial Statements

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.

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.

City of Sturgis

Notes to the Financial Statements

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.

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.

City of Sturgis

Notes to the Financial Statements

- 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 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, 2022, was \$10.4623 per \$1,000 of taxable valuation. The tax rate to finance City street/sidewalk improvements for the year ended September 30, 2022, was \$2.9895 per \$1,000 taxable valuation. The 2021 taxable value of the City was \$243,814,113.

City of Sturgis

Notes to the Financial Statements

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.

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:

	Years
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

City of Sturgis

Notes to the Financial Statements

Unearned Revenue

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

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.

City of Sturgis

Notes to the Financial Statements

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 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.

City of Sturgis

Notes to the Financial Statements

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 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.

City of Sturgis

Notes to the Financial Statements

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

Subsequent Events

Subsequent events have been evaluated through March 31, 2023, the date the financial statements were available to be issued. Management is not aware of any events that would have an impact on the City's financial statements for the year ended September 30, 2022.

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, 2022 the City incurred the following expenditure in excess of the amount appropriated, in the general fund, at the legal level of budgetary control:

	Final Budget	Actual	Variance
Legislative	\$ 46,940	\$ 47,434	\$ (494)
General Government	1,456,086	1,489,881	(33,795)
Public Safety	4,855,212	4,940,582	(85,370)
Recreation and Culture	\$ 1,610,602	\$ 1,622,923	\$ (12,321)

Net Position Deficits

The Brownfield Redevelopment Authority had an unrestricted deficit net position of \$(1,601,595) and the Downtown Development Authority had an unrestricted deficit net position of \$(167,135).

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	\$ 42,966,618	\$ 448,355	\$ 43,414,973
Restricted Cash and Investments	161,515	-	-
Statement of Fiduciary Net Position			
Cash and Investments	45,180,185	-	45,180,185
Total Deposits and Investments	88,308,318	448,355	88,595,158
<i>Less Units Separately Audited</i>			
Downtown Development Authority	-	111,875	111,875
Deposits and Investments Managed by the City	\$ 88,308,318	\$ 560,230	\$ 88,707,033
	Checking and Savings Accounts	\$ 7,104,619	
	Certificates of Deposit	500,000	
	Investments	81,098,844	
	Cash on Hand	3,570	
	Total Deposits and Investments	\$ 88,707,033	
	Cash and Cash Equivalents - FDIC		
	Insured	\$ 1,734,835	
	Uninsured	13,507,598	
	N/A	76,815,272	
	Total Bank Balance	\$ 92,057,705	

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, 2022, 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	\$ 405,218	\$ 405,218	\$ -	\$ -	\$ -	II	Not Rated
MI Class (Pooled Investments)	9,783,886	9,783,886	-	-	-	II	AAAm
Bank Deposit Program	3,409,707	3,409,707	-	-	-	II	Not Rated
U.S. Government Agencies	23,441,913	14,269,023	9,172,890	-	-	II	S&P AA+
Certificate of Deposit	500,000	-	500,000	-	-	II	Not Rated
Assets in Community Foundation	163,303	163,303	-	-	-	II	Not Rated
Total Primary Government:	<u>37,704,027</u>	<u>28,031,137</u>	<u>9,672,890</u>	<u>-</u>	<u>-</u>		
Pension Trust Fund:							
Open END MF - Fixed Inc. Tax	7,015,308	7,015,308	-	-	-	I	Not Rated
Closed END MF	2,052,333	2,052,333	-	-	-		
U.S. Government Agencies	2,240,553	131,066	391,916	208,363	1,509,208	I	S&P AA+
Corporate and Other Bonds and Notes	1,245,264	33,967	535,575	491,190	184,532	I	AAA-AA
Bank Deposit Program	710,562	710,562	-	-	-	I	Not Rated
Common and Preferred Stocks	22,302,081	22,302,081	-	-	-	I	N/A
Total Pension Trust Fund:	<u>35,566,101</u>	<u>32,245,317</u>	<u>927,491</u>	<u>699,553</u>	<u>1,693,740</u>		
OPEB Trust Fund:							
MERS Established Market Fund	8,328,715	8,328,715	-	-	-	II	Not Rated
Total Investments:	<u>\$ 81,598,844</u>	<u>\$ 68,605,170</u>	<u>\$ 10,600,381</u>	<u>\$ 699,553</u>	<u>\$ 1,693,740</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, 2022, the City had \$13,507,598 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>Customer Deposits</u>	<u>Total</u>
<i>Primary Government</i>				
Property taxes levied and collected for next fiscal year's operation	\$ 3,527,619	\$ -	\$ -	\$ 3,527,619
Customer deposits for future services / events	-	-	292,527	292,527
Unearned ARPA funds		436,523		
<i>Total Primary Government</i>	<u>\$ 3,527,619</u>	<u>\$ 436,523</u>	<u>\$ 292,527</u>	<u>\$ 3,820,146</u>
<i>Component Units</i>				
Property taxes levied and collected for next fiscal year's operation	<u>\$ 116,170</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,170</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables, at September 30, 2022, consisted of an advance from the electric fund to the water fund in the amount of \$998,336 and an advance from the capital reserve fund to the ambulance fund in the amount of \$112,958.

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, 2022:

Transfer In	Transfer Out	Amount
Electric	General	\$ 80,040
Sanitary Sewer	General	56,700
Nonmajor Governmental Funds	General	2,135,020
Nonmajor Governmental Funds	Nonmajor Governmental Funds	836,494
Total		\$ 3,108,254

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, 2022 was as follows:

Governmental Activities	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital Assets not being Depreciated					
Land	\$ 720,705	\$ 15,377	\$ -	\$ -	\$ 736,082
Construction in Process	848,944	2,060,180	-	(1,380,817)	1,528,307
<i>Subtotal</i>	<u>1,569,649</u>	<u>2,075,557</u>	<u>-</u>	<u>(1,380,817)</u>	<u>2,264,389</u>
Capital Assets being Depreciated					
Infrastructure	16,934,581	257,362	-	775,329	17,967,272
Land Improvements	8,196,586	54,843	-	13,733	8,265,162
Buildings and Improvements	10,582,402	227,584	-	341,169	11,151,155
Machinery and Equipment	2,037,267	259,667	-	250,586	2,547,520
Office Furniture and Equipment	74,841	14,135	-	-	88,976
<i>Subtotal</i>	<u>37,825,677</u>	<u>813,591</u>	<u>-</u>	<u>1,380,817</u>	<u>40,020,085</u>
Less Accumulated Depreciation					
Infrastructure	7,558,013	1,070,320	-	-	8,628,333
Land Improvements	4,253,399	417,740	-	-	4,671,139
Buildings and Improvements	7,031,840	381,229	-	-	7,413,069
Machinery and Equipment	1,380,949	140,285	-	-	1,521,234
Office Furniture and Equipment	74,841	1,136	-	-	75,977
<i>Subtotal</i>	<u>20,299,041</u>	<u>2,010,710</u>	<u>-</u>	<u>-</u>	<u>22,309,752</u>
Capital Assets being Depreciated, Net	<u>17,526,636</u>	<u>(1,197,119)</u>	<u>-</u>	<u>1,380,817</u>	<u>17,710,333</u>
Capital Assets, Internal Service Funds	<u>3,166,020</u>	<u>344,119</u>	<u>(499,887)</u>	<u>-</u>	<u>3,010,252</u>
Capital Assets, Net	<u>\$ 22,262,305</u>	<u>\$ 1,222,557</u>	<u>\$ (499,887)</u>	<u>\$ -</u>	<u>\$ 22,984,974</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	1,226,688	1,323,945	-	(897,303)	1,653,330
<i>Subtotal</i>	<u>1,963,427</u>	<u>1,323,945</u>	<u>-</u>	<u>(897,303)</u>	<u>2,390,069</u>
Capital Assets being Depreciated					
Land Improvements	4,944,448	-	-	-	4,944,448
Building, Improvements, and System	119,749,587	1,551,987	-	304,845	121,606,419
Machinery and Equipment	753,228	142,196	-	592,458	1,487,882
Office Furniture and Equipment	95,789	-	-	-	95,789
Vehicles	-	658,463	-	-	658,463
<i>Subtotal</i>	<u>125,543,052</u>	<u>2,352,646</u>	<u>-</u>	<u>897,303</u>	<u>128,793,001</u>
Less Accumulated Depreciation					
Land Improvements	3,904,462	20,933	-	-	3,925,395
Building, Improvements, and System	81,721,878	3,175,185	-	-	84,897,063
Machinery and Equipment	446,769	141,697	-	-	588,466
Office Furniture and Equipment	95,789	-	-	-	95,789
Vehicles	-	35,235	-	-	35,235
<i>Subtotal</i>	<u>86,168,898</u>	<u>3,373,050</u>	<u>-</u>	<u>-</u>	<u>89,541,948</u>
Capital Assets being Depreciated, Net	<u>39,374,154</u>	<u>(1,020,404)</u>	<u>-</u>	<u>897,303</u>	<u>39,251,053</u>
Capital Assets, Net	<u>\$ 41,337,581</u>	<u>\$ 303,541</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,641,122</u>

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

Governmental Activities

General Government	\$ 101,634
Public Safety	132,287
Public Works	1,218,235
Recreation and Culture	558,554
Internal Service Funds	499,887
	<u>\$ 2,510,597</u>

Business-type Activities

Ambulance	\$ 35,235
Electric	1,856,613
Sanitary Sewer	982,761
Water	498,441
	<u>\$ 3,373,050</u>

The Local Development Finance Authority, Economic Development Corporation, and Downtown Development Authority are discretely presented component units and had \$68,306 in capital assets not being depreciated, \$923,082 in capital assets not being depreciated, and \$19,713 in capital assets being depreciated, respectively, during the year ended September 30, 2022.

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, 2022:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term Debt					
2010 Capital Improvement Bonds	\$ 368,737	\$ -	\$ (69,289)	\$ 299,448	\$ 71,524
Fire Truck Note Payable	63,888	-	(37,535)	26,353	26,353
Fire Vehicle Note Payable	346,225	-	(31,732)	314,493	32,612
Gym Equipment Note Payable	184,231	-	(14,154)	170,077	14,619
Fire Ladder Truck Note Payable	1,187,158	-	(71,567)	1,115,591	72,479
Total Long-term Debt	2,150,239	-	(224,277)	1,925,962	217,587
Compensated Absences	717,182	54,750	-	771,932	-
Total Long-term Obligations	\$ 2,867,421	\$ 54,750	\$ (224,277)	\$ 2,697,894	\$ 217,587

Long-term debt payables at September 30, 2022 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%	\$ 299,448
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	26,353
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	314,493
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	1,115,591
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.	170,077

City of Sturgis

Notes to the Financial Statements

Total Governmental Activities
Long-term Debt

\$ 1,925,962

Following is a summary of business-type activities long-term debt transactions for the year ended September 30, 2022:

Business-type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term Debt					
2010 Capital Improvement Bonds	\$ 1,286,263	\$ -	\$ (240,711)	\$ 1,045,552	\$ 248,476
2007 State/Clean Water Revolving Fund Loan Payable	371,070	-	(60,000)	311,070	60,000
2007 State/Clean Water Revolving Fund Loan Payable	1,000,587	-	(140,000)	860,587	140,000
2008 Sanitary Sewer System Revenue Bonds	2,152,172	-	(245,000)	1,907,172	255,000
2013A State/Clean Water Revolving Fund Loan Payable	1,725,918	-	(120,000)	1,605,918	120,000
2013B State/Clean Water Revolving Fund Loan Payable	291,674	-	(20,000)	271,674	20,000
2022 Wheeled Coach Ambulances Loan Payable	-	588,732	(32,841)	555,891	55,457
Total Long-term Debt	<u>6,827,684</u>	<u>588,732</u>	<u>(858,552)</u>	<u>6,557,864</u>	<u>898,933</u>
Compensated Absences	277,000	19,000	-	296,000	-
Total Long-term Obligations	<u>\$ 7,104,684</u>	<u>\$ 607,732</u>	<u>\$ (858,552)</u>	<u>\$ 6,853,864</u>	<u>\$ 898,933</u>

Long-term debt payables at September 30, 2022, 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%	\$ 1,045,552
\$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%	311,070
\$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%	860,587
\$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	1,907,172

City of Sturgis

Notes to the Financial Statements

\$2,486,274 2013 State/Clean Water Revolving Fund loan payable in semi-annual installments ranging from \$105,000 to \$150,919 plus interest at 2.00%, final payment due April 1, 2034	1,605,918
\$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	271,674
\$588,732 Ambulance Fund loan payable in monthly installments in the amount of \$5,278 which includes interest at 1.45%, final payment due March 31, 2032	588,732
Total Business-type Activities Long-term Debt	<u>\$ 6,557,864</u>

Debt Service Requirements

The annual requirements to service all debt outstanding for the primary government as of September 30, 2022 (excluding compensated absences), including both principal and interest, are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 217,727	\$ 50,421	\$ 267,931	\$ 898,933	\$ 159,296	\$ 1,002,999
2024	196,096	42,971	239,131	912,787	131,875	988,351
2025	201,194	35,625	236,881	936,413	103,213	982,460
2026	206,764	28,983	236,085	959,198	73,752	974,657
2027	130,497	25,138	155,635	699,883	73,752	773,635
2028-2032	650,877	70,778	721,655	1,803,057	144,682	1,947,739
2033-2036	322,807	11,488	334,295	347,593	16,263	363,856
Totals	<u>\$ 1,925,962</u>	<u>\$ 265,404</u>	<u>\$ 2,191,613</u>	<u>\$ 6,557,864</u>	<u>\$ 702,833</u>	<u>\$ 7,033,697</u>

Discretely Presented Component Units

Brownfield Redevelopment Authority

Following is a summary of long-term debt transactions for the year ended September 30, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Brownfield Redevelopment Authority</u> City of Sturgis - Electric Fund	<u>\$ 1,566,886</u>	<u>\$ -</u>	<u>\$ (109,139)</u>	<u>\$ 1,457,747</u>	<u>\$ 109,139</u>

City of Sturgis

Notes to the Financial Statements

Long-term debt payable at September 30, 2022 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, 2022, 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 \$ 1,457,747

Debt Service Requirements

The note payable to the electric fund is scheduled to be paid back with available tax captures which can vary year to year.

Building Authority

Following is a summary of long-term debt transactions for the year ended September 30, 2022:

<u>Building Authority</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Series 2014 Refunding Bonds	\$ 7,140,000	\$ -	\$ (385,000)	\$ 6,755,000	\$ 410,000

Long-term debt payable at September 30, 2022 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% \$ 6,755,000

Debt Service Requirements

The annual requirements to service all debt outstanding as of September 30, 2022 including both principal and interest, are as follows:

City of Sturgis

Notes to the Financial Statements

	Brownfield Redevelopment Authority		
	Principal	Interest	Total
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	510,000	201,863	711,863
2028-2032	3,010,000	671,300	3,681,300
2033-2034	1,455,000	88,000	1,543,000
Totals	<u>\$ 6,755,000</u>	<u>\$ 1,947,113</u>	<u>\$ 8,702,115</u>

NOTE 8 - NOTES RECEIVABLE

At September 30, 2022, 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	\$ 59,243
Note receivable from Brownfield Development Authority - component unit collectible beginning in 2022 with interest accruing at 2.468%, due in full within thirty years	1,457,747
Total	<u>\$ 1,516,990</u>

NOTE 9 - LEASE RECEIVABLE

Governmental Funds

Airport Fund

At September 30, 2022, the airport fund reflected the following lease receivable:

Lease receivable from Hanger Tenants. There are multiple leases with residents and businesses for space at the airport.	<u>\$ 78,063</u>
---	------------------

Discretely Presented Component Unit

Building Authority

At September 30, 2022, the Building Authority reflected the following lease receivable:

City of Sturgis

Notes to the Financial Statements

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>\$ 6,755,000</u>
--	---------------------

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 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, 2022 and the prior year was as follows:

City of Sturgis

Notes to the Financial Statements

Employee Benefit Claims Liability

	2022	2021
Estimated Claims Liability, Beginning of Year	\$ 50,000	\$ 50,000
Estimated Claims Incurred, including Changes in Estimates	1,828,817	1,522,010
Applied Stop-loss	(333,021)	(308,054)
Claim Payments	(1,495,796)	(1,213,956)
Estimated Claims Liability, End of Year	<u>\$ 50,000</u>	<u>\$ 50,000</u>

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 Mission Square Plan Services. 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 fiscal year 2022, the City contributed \$192,994 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 as provided by collective bargaining agreements.

City of Sturgis

Notes to the Financial Statements

Benefits Provided

Retirement benefits for employees are as follows:

Eligibility	Amount
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
Non-Duty Disability Retirement	
10 years of service.	Computed as a regular retirement. Maximum Amount - Final average compensation less Social Security amount, if any.
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.
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, 2022 valuation date, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Receiving Benefits	109
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	21
Active Members	<u>106</u>
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, 2022, the City had the following contribution rates:

Division	Employee Contributions	Employer Contributions
General	1.80%	6.90%
Electric Union	4.55%	11.03%
Police	3.01%	16.22%
Fire	4.30%	23.39%

Net Pension (Asset) Liability

The net pension (asset) liability reported at September 30, 2022 was determined using a measure of the total pension liability and the pension net position as of September 30, 2022. The September 30, 2022 total pension liability was determined by an actuarial valuation performed as of that date.

Actuarial Assumptions

The total pension liability in the September 30, 2022 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, 2021	\$ 40,592,081	\$ 45,153,386	\$ (4,561,305)
Service Cost	968,713	-	968,713
Interest on Total Pension Liability	2,502,976	-	2,502,976
Contributions - Employer	-	884,637	(884,637)
Contributions - Employee	-	287,912	(287,912)
Net Investment Income	-	(8,673,204)	8,673,204
Benefit Payments, Including Refunds	(2,057,653)	(2,057,653)	-
Difference Between Expected and Actual Experience	21,747	-	21,747
Changes of Assumptions	-	-	-
Administrative Expenses	-	(66,561)	66,561
<i>Net Changes</i>	<u>1,435,783</u>	<u>(9,624,869)</u>	<u>11,060,652</u>
Balance at September 30, 2022	<u>\$ 42,027,864</u>	<u>\$ 35,528,517</u>	<u>\$ 6,499,347</u>

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 6.25 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 (5.25%) or one percentage point higher (7.25%) than the current rate:

	Current		
	1% Decrease (5.25%)	Discount Rate (6.25%)	1% Increase (7.25%)
Net Pension (Asset) Liability of the City	<u>\$ 12,239,998</u>	<u>\$ 6,499,347</u>	<u>\$ 1,750,459</u>

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

For the year ended September 30, 2022, the City recognized pension expense(revenue) of \$1,906,750. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

City of Sturgis

Notes to the Financial Statements

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 6,140,577	\$ -
Difference Between Expected and Actual Experience	30,545	112,656
Changes in Assumptions	337,278	-
Total	<u>\$ 6,508,400</u>	<u>\$ 112,656</u>

Year Ending September 30,	Amount
2023	\$ 1,435,439
2024	1,255,575
2025	1,407,012
2026	2,297,396
2027	322

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

At September 30, 2022 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	\$ 4,816,216	\$ 1,431,848	\$ 195,252	\$ 65,084	\$ 6,508,400
Net Pension (Asset) Liability	4,809,518	1,429,856	194,980	64,993	6,499,347
Deferred Inflows of Resources	83,365	24,784	3,380	1,127	112,656

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.

City of Sturgis

Notes to the Financial Statements

Membership of the Plan consisted of the following at the date of the latest actuarial valuation (September 30, 2021):

Inactive Plan Members or Beneficiaries Receiving Benefits	55
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	0
Active Members	40
Total Employees Covered	<u>95</u>

Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2021 and a measurement date of September 30, 2022 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-2021 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, 2022 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 6.50 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:

City of Sturgis

Notes to the Financial Statements

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Fixed Income	40.00%	4.50%
Global Equity	60.00%	7.00%

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

<u>Changes in Net OPEB Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Net Position</u>	<u>Net OPEB Liability</u>
Balance at September 30, 2021	\$ 9,091,114	\$ 9,842,280	\$ (751,166)
Service Cost	78,479	-	78,479
Interest on Total OPEB Liability	581,897	-	581,897
Changes in Assumptions	262,860	-	262,860
Difference Between Expected and Actual Experience	(2,043,341)	-	(2,043,341)
Contributions - Employer	-	193,272	(193,272)
Net Investment Income	-	(1,265,213)	1,265,213
Benefit Payments, Including Refunds	(441,624)	(441,624)	-
Administrative Expenses	-	-	-
<i>Net Changes</i>	<u>(1,561,729)</u>	<u>(1,513,565)</u>	<u>(48,164)</u>
Balance at September 30, 2022	<u>\$ 7,529,385</u>	<u>\$ 8,328,715</u>	<u>\$ (799,330)</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:

	<u>1% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Net OPEB Liability	\$ (6,521)	\$ (799,330)	\$ (1,480,033)

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:

City of Sturgis

Notes to the Financial Statements

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Net OPEB Liability	\$ (1,435,514)	\$ (799,330)	\$ (64,219)

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$(875,154). At September 30, 2022, 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	\$ 995,647	\$ -
Difference Between Expected and Actual Experience	-	1,951,148
Changes in Assumptions	397,593	-
Total	<u>\$ 1,393,240</u>	<u>\$ 1,951,148</u>

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

Year Ending September 30,	Amount
2023	\$ (717,568)
2024	(406,366)
2025	186,621
2026	379,405

Allocation of Net OPEB Liability and Related Deferred Items

At September 30, 2022, the City allocated its net OPEB liability and related deferrals as follows:

	Governmental Activities	Business-type Activities			Total
		Electric	Sanitary Sewer	Water	
Deferred Outflows of Resources	\$ 933,470	\$ 264,716	\$ 125,392	\$ 69,662	\$ 1,393,240
Net OPEB Liability (Asset)	(535,550)	(151,873)	(71,940)	(39,967)	(799,330)
Deferred Inflows of Resources	1,307,270	370,718	175,603	97,557	1,951,148

City of Sturgis

Notes to the Financial Statements

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.

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, 2022, the City incurred purchased power cost under this agreement of \$-0-, 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, 2022.

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, 2022, the City incurred purchased power cost under this agreement of \$13,076,675, 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

City of Sturgis

Notes to the Financial Statements

power purchased cost under this contract for the year ended September 30, 2022 is \$1,209,567. The solar facility began generating energy in January of 2022.

NOTE 16 - TAX ABATEMENTS

The City received reduced property tax revenues during 2022 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 \$66,346 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 \$45,619 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:

	General Fund	Nonmajor Funds	Total
Nonspendable			
Inventory	\$ -	\$ 28,909	\$ 28,909
Prepaid Items	-	4,674	4,674
Endowment	-	145,719	145,719
Total Nonspendable	-	179,302	179,302
Restricted			
Streets	-	4,186,270	4,186,270
Cemetery Trust	-	416,264	416,264
Total Restricted	-	4,602,534	4,602,534
Committed			
Streets	-	93,830	93,830
Building Department	-	316,592	316,592
Housing Department	-	26,805	26,805
Cemetery	-	33,528	33,528
Drug Enforcement	-	13,799	13,799
Recreation	-	19,907	19,907
Civic Auditorium	-	224,525	224,525
Doyle Community Center	-	113,935	113,935
Airport	-	116,652	116,652
Capital Projects	-	4,150,129	4,150,129
Total Committed	-	5,109,702	5,109,702
Assigned			
Endowment	-	17,583	17,583
Total Assigned	-	17,583	17,583
Unassigned	3,010,146	-	3,010,146
Total Fund Balance	\$ 3,010,146	\$ 9,909,121	\$ 12,919,267

City of Sturgis

Notes to the Financial Statements

NOTE 18 - NEW ACCOUNTING PRONOUNCEMENT ADOPTED

The City adopted the provisions of GASB Statement No. 87, Leases in the current year. There was no impact on beginning fund balance or net position as a result of implementing this standard, nor was current year activity affected by implementing this change.

NOTE 19 - UPCOMING ACCOUNTING PRONOUNCEMENT

Effective 06/15/2023, the GASB has issued Statement No. 96, Subscription-Based Technology Arrangements. This standard expands on the new guidance for leases and applies it to computer software contracts (subscriptions) with similar characteristics. Governments that subscribe to a vendor's IT software will now report offsetting intangible subscription assets and subscription liabilities equal to the present value of future subscription payments. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023 fiscal year.

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, 2022

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Property Taxes	\$ 2,657,370	\$ 2,657,370	\$ 2,644,718	\$ (12,652)
Licenses and Permits	60,000	128,000	120,166	(7,834)
Federal Sources	--	645,000	645,000	--
State Sources	2,777,400	2,777,400	2,796,551	19,151
Charges for Services	3,986,790	3,986,790	3,993,045	6,255
Fines and Forfeits	33,000	33,000	22,166	(10,834)
Investment Income	80,000	80,000	42,153	(37,847)
Local Contributions	30,000	30,000	17,083	(12,917)
Rental Income	530	530	--	(530)
Other	142,650	769,009	836,925	67,916
Total Revenues	9,767,740	11,107,099	11,117,807	10,708
Expenditures				
Legislative	46,940	46,940	47,434	(494)
General Government	1,419,086	1,456,086	1,489,881	(33,795)
Public Safety	4,832,712	4,855,212	4,940,582	(85,370)
Public Works	1,003,220	675,620	668,324	7,296
Health and Welfare	57,000	57,000	30,037	26,963
Recreation and Culture	988,152	1,610,602	1,622,923	(12,321)
Community and Economic Development	240,918	440,918	404,995	35,923
Debt Service	19,040	19,040	18,068	972
Total Expenditures	8,607,068	9,161,418	9,222,244	(60,826)
Other Financing Uses				
Transfers Out	1,626,760	2,271,760	2,271,760	--
Total Expenditures and Other Financing Uses	10,233,828	11,433,178	11,494,004	(60,826)
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	(466,088)	(326,079)	(376,197)	(50,118)
Net Change in Fund Balance	(466,088)	(326,079)	(376,197)	(50,118)
Fund Balance at Beginning of Period	3,386,344	3,386,344	3,386,344	--
Fund Balance at End of Period	\$ 2,920,256	\$ 3,060,265	\$ 3,010,147	\$ (50,118)

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service Cost	\$ 968,713	\$ 889,675	\$ 811,934	\$ 838,719	\$ 801,729	\$ 681,111	\$ 728,751	\$ 700,614	\$ 646,831
Interest	2,502,976	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	21,747	(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	(2,057,653)	(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	1,435,783	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>	<i>40,592,081</i>	<i>38,769,545</i>	<i>37,702,953</i>	<i>36,375,772</i>	<i>35,113,976</i>	<i>33,837,964</i>	<i>30,921,157</i>	<i>30,184,355</i>	<i>28,527,620</i>
Total Pension Liability - Ending (a)	\$ 42,027,864	\$ 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	\$ 884,637	\$ 760,888	\$ 704,743	\$ 662,986	\$ 484,776	\$ 511,856	\$ 512,328	\$ 559,403	\$ 605,570
Contributions - Member	287,912	236,416	224,074	221,347	168,973	165,471	159,472	156,826	115,200
Net Investment Income (Loss)	(8,673,204)	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	(2,057,653)	(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	(66,561)	(67,465)	(64,195)	(64,329)	(57,848)	(46,542)	(39,840)	(60,802)	(64,799)
Net Change in Plan Fiduciary Net Position	(9,624,869)	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>	<i>45,153,386</i>	<i>38,894,103</i>	<i>36,979,792</i>	<i>36,561,904</i>	<i>35,555,349</i>	<i>33,396,678</i>	<i>31,587,166</i>	<i>32,921,716</i>	<i>30,851,827</i>
Plan Fiduciary Net Position - Ending (b)	\$ 35,528,517	\$ 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)	\$ 6,499,347	\$ (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	84.54%	111.24%	100.32%	98.08%	100.51%	101.26%	98.70%	102.15%	109.07%
Covered Payroll	\$ 7,667,931	\$ 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	84.76%	-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 Nine Years

	<u>2022</u>	<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	\$ 948,752	\$ 794,622	\$ 710,056	\$ 704,573	\$ 484,776	\$ 511,855	\$ 512,328	\$ 559,403	\$ 605,570
Contributions in Relation to the Actuarially Determined Contribution	884,637	760,888	704,743	662,986	505,737	483,387	521,972	561,708	574,553
Contribution Deficiency (Excess)	<u>\$ 64,115</u>	<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	\$ 7,667,931	\$ 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	11.54%	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	14 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 Five Years

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service Cost	\$ 78,479	\$ 72,731	\$ 82,033	\$ 79,871	\$ 72,300
Interest	581,897	613,978	685,264	725,959	757,030
Changes in Assumptions	262,860	-	889,415	-	(87,285)
Difference Between Expected and Actual Experience	(2,043,341)	(709,918)	(1,409,130)	(808,155)	(674,013)
Benefit Payments	(441,624)	(509,493)	(651,406)	(513,345)	(525,378)
Net Change in total OPEB Liability	(1,561,729)	(532,702)	(403,824)	(515,670)	(457,346)
<i>Total OPEB Liability - Beginning</i>	<i>9,091,114</i>	<i>9,623,816</i>	<i>10,027,640</i>	<i>10,543,310</i>	<i>11,000,656</i>
Total OPEB Liability - Ending (a)	\$ 7,529,385	\$ 9,091,114	\$ 9,623,816	\$ 10,027,640	\$ 10,543,310
Plan Fiduciary Net Position					
Contributions - Employer	\$ 193,272	\$ 276,180	\$ 398,100	\$ 655,140	\$ 907,200
Net Investment Income	(1,265,213)	1,513,107	528,551	279,965	429,888
Benefit Payments	(441,624)	(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	(1,513,565)	1,276,794	265,495	409,510	793,589
<i>Plan Fiduciary Net Position - Beginning</i>	<i>9,842,280</i>	<i>8,565,486</i>	<i>8,299,991</i>	<i>7,890,481</i>	<i>7,096,892</i>
Plan Fiduciary Net Position - Ending (b)	\$ 8,328,715	\$ 9,842,280	\$ 8,565,486	\$ 8,299,991	\$ 7,890,481
Net OPEB Liability - Ending (a) - (b)	\$ (799,330)	\$ (751,166)	\$ 1,058,330	\$ 1,727,649	\$ 2,652,829
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	110.62%	108.26%	89.00%	82.77%	74.84%
Covered Payroll	\$ 3,336,122	\$ 3,176,311	\$ 3,327,727	\$ 3,549,913	\$ 3,748,674
Net OPEB Liability as a Percentage of Covered Payroll	-23.96%	-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 Five Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially Determined Contribution	\$ 188,299	\$ 260,132	\$ 366,320	\$ 654,338	\$ 906,796
Contributions in Relation to the Actuarially Determined Contribution	193,272	276,180	398,100	655,140	907,200
Contribution Deficiency (Excess)	<u>\$ (4,973)</u>	<u>\$ (16,048)</u>	<u>\$ (31,780)</u>	<u>\$ (802)</u>	<u>\$ (404)</u>
Covered Payroll	\$ 3,336,122	\$ 3,176,311	\$ 3,327,727	\$ 3,549,913	\$ 3,748,674
Contributions as a Percentage of Covered Payroll	5.79%	8.69%	11.96%	18.46%	24.20%

Notes

Valuation Date: September 30, 2021

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal Level % of Salary
Amortization Method	Level Dollar
Remaining Amortization Period	9 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*

City of Sturgis
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2022

	Special Revenue							
	Major Streets	Local Streets	Municipal Street	Municipal Street/Sidewalk Improvement	Building Department	Housing Department	Cemetery	Drug Enforcement
ASSETS								
Cash and Investments	\$ 1,679,324	\$ 1,110,705	\$ 131,109	\$ 2,022,893	\$ 318,389	\$ 26,974	\$ 58,767	\$ 13,799
Accounts Receivable	--	504	--	--	--	--	--	--
Taxes Receivable	--	--	--	6,835	--	--	--	--
Special Assessments Receivable	--	--	--	16,435	--	--	--	--
Lease Receivable	--	--	--	--	--	--	--	--
Inventory	--	--	--	--	--	--	--	--
Prepaid Items	--	--	--	--	--	--	--	--
Due from Other Governmental Units	175,424	64,977	--	--	--	--	--	--
Long-term Lease Receivable	--	--	--	--	--	--	--	--
Advances Due from Other Funds	--	--	--	--	--	--	--	--
<i>Total Assets</i>	<u>1,854,748</u>	<u>1,176,186</u>	<u>131,109</u>	<u>2,046,163</u>	<u>318,389</u>	<u>26,974</u>	<u>58,767</u>	<u>13,799</u>
DEFERRED OUTFLOWS OF RESOURCES								
Aggregated deferred outflows	--	--	--	--	--	--	--	--
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 1,854,748</u>	<u>\$ 1,176,186</u>	<u>\$ 131,109</u>	<u>\$ 2,046,163</u>	<u>\$ 318,389</u>	<u>\$ 26,974</u>	<u>\$ 58,767</u>	<u>\$ 13,799</u>
LIABILITIES								
Accounts Payable	\$ 64,931	\$ 66,273	\$ 37,279	\$ 12,846	\$ 415	\$ 169	\$ 22,166	\$ --
Accrued Expenses	2,651	2,019	--	--	1,382	--	3,073	--
Customer Deposits	--	--	--	--	--	--	--	--
Unearned Revenue	--	--	--	--	--	--	--	--
<i>Total Liabilities</i>	<u>67,582</u>	<u>68,292</u>	<u>37,279</u>	<u>12,846</u>	<u>1,797</u>	<u>169</u>	<u>25,239</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES								
Taxes Levied for a Subsequent Period	--	--	--	742,107	--	--	--	--
Deferred Lease Revenue	--	--	--	--	--	--	--	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>67,582</u>	<u>68,292</u>	<u>37,279</u>	<u>754,953</u>	<u>1,797</u>	<u>169</u>	<u>25,239</u>	<u>--</u>
FUND BALANCE								
Nonspendable	--	--	--	--	--	--	--	--
Restricted	1,787,166	1,107,894	--	1,291,210	--	--	--	--
Committed	--	--	93,830	--	316,592	26,805	33,528	13,799
Assigned	--	--	--	--	--	--	--	--
<i>Total Fund Balance</i>	<u>1,787,166</u>	<u>1,107,894</u>	<u>93,830</u>	<u>1,291,210</u>	<u>316,592</u>	<u>26,805</u>	<u>33,528</u>	<u>13,799</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 1,854,748</u>	<u>\$ 1,176,186</u>	<u>\$ 131,109</u>	<u>\$ 2,046,163</u>	<u>\$ 318,389</u>	<u>\$ 26,974</u>	<u>\$ 58,767</u>	<u>\$ 13,799</u>

City of Sturgis
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2022

	Special Revenue					Permanent		Total Nonmajor Governmental Funds
	Recreation	Civic Auditorium	Doyle Community Center	Airport	Capital Projects	Cemetery Trust	Endowment Fund	
ASSETS								
Cash and Investments	\$ 23,391	\$ 250,509	\$ 281,413	\$ 117,220	\$ 4,037,170	\$ 416,264	\$ 163,302	\$ 10,651,229
Accounts Receivable	--	4,168	--	11,019	--	--	--	15,691
Taxes Receivable	--	--	--	--	--	--	--	6,835
Special Assessments Receivable	--	--	--	--	--	--	--	16,435
Lease Receivable	--	--	--	9,387	--	--	--	9,387
Inventory	--	--	--	28,909	--	--	--	28,909
Prepaid Items	878	--	--	3,796	--	--	--	4,674
Due from Other Governmental Units	--	--	--	13,000	--	--	--	253,401
Long-term Lease Receivable	--	--	--	78,063	--	--	--	78,063
Advances Due from Other Funds	--	--	--	--	112,958	--	--	112,958
<i>Total Assets</i>	<u>24,269</u>	<u>254,677</u>	<u>281,413</u>	<u>261,394</u>	<u>4,150,128</u>	<u>416,264</u>	<u>163,302</u>	<u>11,177,582</u>
DEFERRED OUTFLOWS OF RESOURCES								
Aggregated deferred outflows	--	--	--	--	--	--	--	--
<i>Total Assets and Deferred Outflows of Resources</i>	<u>\$ 24,269</u>	<u>\$ 254,677</u>	<u>\$ 281,413</u>	<u>\$ 261,394</u>	<u>\$ 4,150,128</u>	<u>\$ 416,264</u>	<u>\$ 163,302</u>	<u>\$ 11,177,582</u>
LIABILITIES								
Accounts Payable	\$ 1,643	\$ 21,733	\$ 137,518	\$ 21,004	\$ --	\$ --	\$ --	\$ 385,977
Accrued Expenses	1,841	2,974	4,102	2,464	--	--	--	20,506
Customer Deposits	--	4,625	--	--	--	--	--	4,625
Unearned Revenue	--	820	25,858	--	--	--	--	26,678
<i>Total Liabilities</i>	<u>3,484</u>	<u>30,152</u>	<u>167,478</u>	<u>23,468</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>437,786</u>
DEFERRED INFLOWS OF RESOURCES								
Taxes Levied for a Subsequent Period	--	--	--	--	--	--	--	742,107
Deferred Lease Revenue	--	--	--	88,569	--	--	--	88,569
<i>Total Liabilities and Deferred Inflows of Resources</i>	<u>3,484</u>	<u>30,152</u>	<u>167,478</u>	<u>112,037</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,268,462</u>
FUND BALANCE								
Nonspendable	878	--	--	32,705	--	--	145,719	179,302
Restricted	--	--	--	--	--	416,264	--	4,602,534
Committed	19,907	224,525	113,935	116,652	4,150,128	--	--	5,109,701
Assigned	--	--	--	--	--	--	17,583	17,583
<i>Total Fund Balance</i>	<u>20,785</u>	<u>224,525</u>	<u>113,935</u>	<u>149,357</u>	<u>4,150,128</u>	<u>416,264</u>	<u>163,302</u>	<u>9,909,120</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	<u>\$ 24,269</u>	<u>\$ 254,677</u>	<u>\$ 281,413</u>	<u>\$ 261,394</u>	<u>\$ 4,150,128</u>	<u>\$ 416,264</u>	<u>\$ 163,302</u>	<u>\$ 11,177,582</u>

City of Sturgis
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended September 30, 2022

	Special Revenue							
	Major Streets	Local Streets	Municipal Street	Municipal Street/Sidewalk Improvement	Building Department	Housing Department	Cemetery	Drug Enforcement
Revenues								
Property Taxes	\$ --	\$ 232,102	\$ --	\$ 38,855	\$ --	\$ --	\$ --	\$ --
Licenses and Permits	--	--	--	--	222,702	--	--	--
Federal Sources	--	--	--	--	--	--	--	--
State Sources	1,097,612	598,068	--	179,327	--	--	--	--
Charges for Services	--	--	--	--	--	--	87,365	--
Local Contributions	--	--	--	--	--	--	--	--
Rental Income	--	--	--	--	--	--	1,584	--
Other	1,199	504	--	10,063	--	--	--	--
Investment Income (Loss)	6,743	9,137	1,926	3,411	661	129	232	63
Total Revenues	1,105,554	839,811	1,926	231,656	223,363	129	89,181	63
Expenditures								
General Government	--	--	--	--	--	--	334,562	--
Public Safety	--	--	--	--	127,737	--	--	20,794
Public Works	911,807	757,305	175,602	207,580	--	--	--	--
Recreation and Culture	--	--	--	--	--	--	--	--
Community and Economic Development	--	--	--	--	--	90,330	--	--
Debt Service - Principal	--	--	--	--	--	--	--	--
Debt Service - Interest	--	--	--	--	--	--	--	--
Total Expenditures	911,807	757,305	175,602	207,580	127,737	90,330	334,562	20,794
Excess of Revenues Over (Under) Expenditures	193,747	82,506	(173,676)	24,076	95,626	(90,201)	(245,381)	(20,731)
Other Financing Sources (Uses)								
Transfers In	--	--	--	--	--	69,920	192,302	--
Transfers Out	--	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	--	--	--	--	--	69,920	192,302	--
Net Change in Fund Balance	193,747	82,506	(173,676)	24,076	95,626	(20,281)	(53,079)	(20,731)
<i>Fund Balance at Beginning of Period</i>	<i>1,593,419</i>	<i>1,025,388</i>	<i>267,506</i>	<i>1,267,134</i>	<i>220,966</i>	<i>47,086</i>	<i>86,607</i>	<i>34,530</i>
Fund Balance at End of Period	\$ 1,787,166	\$ 1,107,894	\$ 93,830	\$ 1,291,210	\$ 316,592	\$ 26,805	\$ 33,528	\$ 13,799

City of Sturgis
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended September 30, 2022

	Special Revenue					Permanent		Total Nonmajor Governmental Funds
	Recreation	Civic Auditorium	Doyle Community Center	Airport	Capital Projects	Cemetery Trust	Endowment Fund	
Revenues								
Property Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 270,957
Licenses and Permits	--	--	--	--	--	--	--	222,702
Federal Sources	--	49,021	--	13,000	--	--	--	62,021
State Sources	--	63,320	--	--	--	--	--	1,938,327
Charges for Services	86,878	40,091	457,202	89,696	--	4,929	--	766,161
Local Contributions	13,915	138,054	22,634	--	251,167	--	--	425,770
Rental Income	--	43,031	45,493	41,519	--	--	--	131,627
Other	8	29,345	6,156	2,999	--	--	--	50,274
Investment Income (Loss)	156	655	512	780	33,376	(74,413)	(107,998)	(124,630)
Total Revenues	<u>100,957</u>	<u>363,517</u>	<u>531,997</u>	<u>147,994</u>	<u>284,543</u>	<u>(69,484)</u>	<u>(107,998)</u>	<u>3,743,209</u>
Expenditures								
General Government	--	--	--	--	--	--	1,115	335,677
Public Safety	--	--	--	--	--	--	--	148,531
Public Works	--	--	--	445,786	--	--	--	2,498,080
Recreation and Culture	230,819	822,082	797,094	--	79,300	--	--	1,929,295
Community and Economic Development	--	--	--	--	308,000	--	4,200	402,530
Debt Service - Principal	--	44,990	24,315	--	--	--	--	69,305
Debt Service - Interest	--	12,695	8,674	--	--	--	--	21,369
Total Expenditures	<u>230,819</u>	<u>879,767</u>	<u>830,083</u>	<u>445,786</u>	<u>387,300</u>	<u>--</u>	<u>5,315</u>	<u>5,404,787</u>
Excess of Revenues Over (Under) Expenditures	<u>(129,862)</u>	<u>(516,250)</u>	<u>(298,086)</u>	<u>(297,792)</u>	<u>(102,757)</u>	<u>(69,484)</u>	<u>(113,313)</u>	<u>(1,661,578)</u>
Other Financing Sources (Uses)								
Transfers In	122,400	502,680	291,212	170,000	1,265,000	--	--	2,613,514
Transfers Out	--	--	--	--	(462,172)	(16,322)	--	(478,494)
Net Other Financing Sources (Uses)	<u>122,400</u>	<u>502,680</u>	<u>291,212</u>	<u>170,000</u>	<u>802,828</u>	<u>(16,322)</u>	<u>--</u>	<u>2,135,020</u>
Net Change in Fund Balance	<u>(7,462)</u>	<u>(13,570)</u>	<u>(6,874)</u>	<u>(127,792)</u>	<u>700,071</u>	<u>(85,806)</u>	<u>(113,313)</u>	<u>473,442</u>
Fund Balance at Beginning of Period	<u>28,247</u>	<u>238,095</u>	<u>120,809</u>	<u>277,149</u>	<u>3,450,057</u>	<u>502,070</u>	<u>276,615</u>	<u>9,435,678</u>
Fund Balance at End of Period	<u>\$ 20,785</u>	<u>\$ 224,525</u>	<u>\$ 113,935</u>	<u>\$ 149,357</u>	<u>\$ 4,150,128</u>	<u>\$ 416,264</u>	<u>\$ 163,302</u>	<u>\$ 9,909,120</u>

City of Sturgis
Combining Statement of Net Position
Internal Service Funds
September 30, 2022

	Internal Service			
	Workers' Compensation Insurance	Motor Vehicle and Equipment	Employee Benefit	Total Internal Service Funds
ASSETS				
<i>Current Assets</i>				
Cash and Investments	\$ 46,007	\$ 1,593,720	\$ 408,006	\$ 2,047,733
Accounts Receivable	--	39,660	30,068	69,728
Inventory	--	1,776	--	1,776
Prepaid Items	75,087	--	--	75,087
Total Current Assets	121,094	1,635,156	438,074	2,194,324
<i>Noncurrent Assets</i>				
Capital Assets not being Depreciated	--	1,216,441	--	1,216,441
Capital Assets being Depreciated	--	1,793,811	--	1,793,811
Total Assets	121,094	4,645,408	438,074	5,204,576
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	--	69,510	11,205	80,715
Accrued Expenses	--	991	50,000	50,991
Current Portion of Long-term Debt	--	131,444	--	131,444
Total Current Liabilities	--	201,945	61,205	263,150
<i>Noncurrent Liabilities</i>				
Long-term Debt	--	1,324,993	--	1,324,993
Total Liabilities	--	1,526,938	61,205	1,588,143
NET POSITION				
Net Investment in Capital Assets	--	1,553,815	--	1,553,815
<i>Unrestricted</i>	121,094	1,564,655	376,869	2,062,618
Total Net Position	\$ 121,094	\$ 3,118,470	\$ 376,869	\$ 3,616,433

City of Sturgis
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended September 30, 2022

	Internal Service			
	Workers' Compensation Insurance	Motor Vehicle and Equipment	Employee Benefit	Total Internal Service Funds
Operating Revenues				
Charges for Services	\$ 100,450	\$ 1,365,762	\$ 2,790,310	\$ 4,256,522
Total Operating Revenues	100,450	1,365,762	2,790,310	4,256,522
Operating Expenses				
Material, Maintenance, and Other	--	562,535	--	562,535
General and Administrative	1,200	130,088	45,813	177,101
Depreciation	--	499,887	--	499,887
Insurance Premiums and Claims	110,994	53,013	2,774,901	2,938,908
Total Operating Expenses	112,194	1,245,523	2,820,714	4,178,431
Operating Income (Loss)	(11,744)	120,239	(30,404)	78,091
Non-Operating Revenues (Expenses)				
Investment Income (Loss)	237	42,492	976	43,705
Gain (Loss) on Sale of Assets	--	36,900	--	36,900
Interest Expense	--	(33,215)	--	(33,215)
Net Non-Operating Revenues (Expenses)	237	46,177	976	47,390
Income Before Contributions and Transfers	(11,507)	166,416	(29,428)	125,481
Transfers In	--	--	50,000	50,000
Transfers Out	(50,000)	--	--	(50,000)
Change In Net Position	(61,507)	166,416	20,572	125,481
<i>Net Position at Beginning of Period</i>	182,601	2,952,054	356,297	3,490,952
Net Position at End of Period	\$ 121,094	\$ 3,118,470	\$ 376,869	\$ 3,616,433

City of Sturgis
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended September 30, 2022

	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	\$ 100,450	\$ 1,326,102	\$ 2,775,242	\$ 4,201,794
Cash Payments for Goods and Services	(105,480)	(712,508)	(2,824,849)	(3,642,837)
Cash Payments to Employees	--	(75,750)	--	(75,750)
Net Cash Provided (Used) by Operating Activities	(5,030)	537,844	(49,607)	483,207
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	--	(344,118)	--	(344,118)
Principal and Interest Paid on Long-term Debt	--	(174,049)	--	(174,049)
Sale of Capital Assets	--	36,900	--	36,900
Net Cash Used by Capital and Related Financing Activities	--	(481,267)	--	(481,267)
Cash Flows from Investing Activities				
Investment Income	237	42,492	976	43,705
Net Cash Provided by from Investing Activities	237	42,492	976	43,705
Net Increase (Decrease) in Cash and Investments	(54,793)	99,069	1,369	45,645
<i>Cash and Investments - Beginning of Year</i>	<i>100,800</i>	<i>1,494,651</i>	<i>406,637</i>	<i>2,002,088</i>
<i>Cash and Investments - End of Year</i>	<i>\$ 46,007</i>	<i>\$ 1,593,720</i>	<i>\$ 408,006</i>	<i>\$ 2,047,733</i>
Reconciliation of Operating Income (Loss) to				
Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ (11,744)	\$ 120,239	\$ (30,404)	\$ 78,091
Adjustments to Reconcile Operating Income (Loss) to				
Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	--	499,887	--	499,887
Changes in Assets and Liabilities				
Accounts Receivable	--	(39,660)	(15,068)	(54,728)
Inventory	--	125	--	125
Prepaid Items	10,878	--	--	10,878
Accounts Payable	(4,164)	(40,214)	(4,135)	(48,513)
Accrued Expenses	--	(2,533)	--	(2,533)
Net Cash Provided (Used) by Operating Activities	\$ (5,030)	\$ 537,844	\$ (49,607)	\$ 483,207

Combining and Individual Fund Statements and Schedules

City of Sturgis
Combining Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2022

	Pension and Benefit Trust		
	Other Postemployment Benefit Trust	Pension Trust	Total Pension and Benefit Trust Funds
ASSETS			
Cash	\$ --	\$ 55,591	\$ 55,591
Interest Receivable	--	54,976	54,976
Investments			
Fixed Income	--	8,339,983	8,339,983
Equities	--	26,515,556	26,515,556
Exchange Traded Funds	--	654,971	654,971
MERS Total Market	8,328,715	--	8,328,715
<i>Total Investments</i>	8,328,715	35,510,510	43,839,225
<i>Total Assets</i>	8,328,715	35,621,077	43,949,792
LIABILITIES			
Due to Brokers	--	92,560	85,980
<i>Total Liabilities</i>	--	92,560	85,980
NET POSITION			
<i>Restricted for:</i>			
Retirement Benefits	\$ 8,328,715	\$ 35,528,517	\$ 43,857,232

City of Sturgis
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year Ended September 30, 2022

	Pension and Benefit Trust		
	Other Postemployment Benefit Trust	Pension Trust	Total Pension and Benefit Trust Funds
Additions			
Contributions			
Employer	\$ 193,272	\$ 884,637	\$ 1,077,909
Employee/Retiree	--	287,912	287,912
Total Contributions	<u>193,272</u>	<u>1,172,549</u>	<u>1,365,821</u>
Investment Income			
Net Appreciation (Depreciation) in Fair Value of Investments	(1,265,213)	(9,388,139)	(10,653,352)
Interest and Dividends	--	928,688	928,688
Less: Investment Expense	--	213,752	213,752
Net Investment Income	<u>(1,265,213)</u>	<u>(8,673,203)</u>	<u>(9,510,912)</u>
Total Additions	<u>(1,071,941)</u>	<u>(7,500,654)</u>	<u>(8,572,595)</u>
Deductions			
Benefits	441,624	2,057,490	2,499,114
Refunds	--	163	163
Administrative Expense	--	66,561	66,561
Total Deductions	<u>441,624</u>	<u>2,124,214</u>	<u>2,565,838</u>
Change in Net Position	<u>(1,513,565)</u>	<u>(9,624,868)</u>	<u>(11,138,433)</u>
<i>Net Position at Beginning of Period</i>	<u>9,842,280</u>	<u>45,153,385</u>	<u>54,995,665</u>
Net Position at End of Period	<u>\$ 8,328,715</u>	<u>\$ 35,528,517</u>	<u>\$ 43,857,232</u>

City of Sturgis
Brownfield Redevelopment Authority Balance Sheet and Statement of Net Position
September 30, 2022

	Brownfield Redevelopment Authority	Adjustments	Statement of Net Position
ASSETS			
Cash and Investments	\$ 101,317	\$ --	\$ 101,317
Total Assets	\$ 101,317	\$ --	\$ 101,317
LIABILITIES			
<i>Current Liabilities</i>			
Accrued Interest	\$ --	\$ 245,165	\$ 245,165
Current Portion of Long-term Debt	--	109,139 [1]	109,139
Total Current Liabilities	--	354,304	354,304
<i>Noncurrent Liabilities</i>			
Long-term Debt	--	1,348,608 [1]	1,348,608
Total Liabilities	--	1,702,912	1,702,912
FUND BALANCE			
<i>Restricted for:</i>			
Community and Economic Development	101,317	(101,317)	
Total Fund Balance	101,317	(101,317)	
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 101,317	1,601,595	
NET POSITION			
<i>Restricted for:</i>			
Community and Economic Development		(1,601,595)	(1,601,595)
Total Net Position		\$ (1,601,595)	\$ (1,601,595)

[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, 2022

	Brownfield Redevelopment Authority	Adjustments	Statement of Activities
Revenues			
Property Taxes	\$ 216,615	\$ --	\$ 216,615
Total Revenues	<u>216,615</u>	<u>--</u>	<u>216,615</u>
Expenditures			
Community and Economic Development	97,762	--	97,762
Debt Service - Principal	109,139	(109,139) [1]	--
Debt Service - Interest	--	35,977 [2]	35,977
Total Expenditures	<u>206,901</u>	<u>(73,162)</u>	<u>133,739</u>
Excess of Revenues Over (Under) Expenditures	<u>9,714</u>	<u>73,162</u>	<u>82,876</u>
Net Change in Fund Balance / Net Position	<u>9,714</u>	<u>73,162</u>	<u>82,876</u>
<i>Fund Balance / Net Position at Beginning of Period</i>	91,603	(1,776,074)	(1,684,471)
Fund Balance / Net Position at End of Period	<u>\$ 101,317</u>	<u>\$ (1,702,912)</u>	<u>\$ (1,601,595)</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, 2022

	<u>LDFA</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 208,699	\$ --	\$ 208,699
Taxes Receivable	57,341	--	57,341
Total Current Assets	<u>266,040</u>	<u>--</u>	<u>266,040</u>
<i>Noncurrent Assets</i>			
Capital Assets being Depreciated	--	68,306 [1]	68,306
Total Assets	<u>\$ 266,040</u>	<u>\$ 68,306</u>	<u>\$ 334,346</u>
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	\$ 100	\$ --	\$ 100
Total Liabilities	<u>100</u>	<u>--</u>	<u>100</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	57,341	--	57,341
FUND BALANCE			
<i>Restricted for:</i>			
Community and Economic Development	208,599	(208,599)	--
Total Fund Balance	<u>208,599</u>	<u>(208,599)</u>	<u>--</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 266,040</u>	<u>\$ (208,599)</u>	<u>\$ 57,441</u>
NET POSITION			
Net Investment in Capital Assets		\$ 68,306	\$ 68,306
<i>Restricted for:</i>			
Community and Economic Development		208,599	208,599
Total Net Position		<u>\$ 276,905</u>	<u>\$ 276,905</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, 2022

	<u>LDFA</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Property Taxes	\$ 316	\$ --	\$ 316
State Sources	55,543	--	55,543
Investment Income	553	--	553
<i>Total Revenues</i>	<u>56,412</u>	<u>--</u>	<u>56,412</u>
Expenditures			
Community and Economic Development	18,751	--	18,751
<i>Total Expenditures</i>	<u>18,751</u>	<u>--</u>	<u>18,751</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>37,661</u>	<u>--</u>	<u>37,661</u>
<i>Net Change in Fund Balance / Net Position</i>	<u>37,661</u>	<u>--</u>	<u>37,661</u>
<i>Fund Balance / Net Position at Beginning of Period</i>	170,938	68,306	239,244
<i>Fund Balance / Net Position at End of Period</i>	<u>\$ 208,599</u>	<u>\$ 68,306</u>	<u>\$ 276,905</u>

City of Sturgis
Building Authority Balance Sheet and Statement of Net Position
September 30, 2022

	<u>Building Authority</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 137,800	\$ --	\$ 137,800
Lease Receivable	--	410,000 [1]	410,000
Total Current Assets	<u>137,800</u>	<u>410,000</u>	<u>547,800</u>
<i>Noncurrent Assets</i>			
Long-term Lease Receivable	--	6,345,000 [1]	6,345,000
Total Assets	<u>\$ 137,800</u>	<u>\$ 6,755,000</u>	<u>\$ 6,892,800</u>
LIABILITIES			
<i>Current Liabilities</i>			
Current Portion of Long-term Debt	\$ --	\$ 410,000 [2]	\$ 410,000
<i>Noncurrent Liabilities</i>			
Long-term Debt	--	6,345,000 [2]	6,345,000
Total Liabilities	<u>--</u>	<u>6,755,000</u>	<u>6,755,000</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	<u>134,481</u>	<u>--</u>	<u>134,481</u>
FUND BALANCE			
<i>Restricted for:</i>			
Community and Economic Development	<u>3,319</u>	<u>(3,319)</u>	<u>--</u>
Total Fund Balance	<u>3,319</u>	<u>(3,319)</u>	<u>--</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 137,800</u>	<u>\$ 6,751,681</u>	<u>\$ 6,889,481</u>
NET POSITION			
<i>Restricted for:</i>			
Community and Economic Development		\$ 3,319	\$ 3,319
Total Net Position		<u>\$ 3,319</u>	<u>\$ 3,319</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, 2022

	Building Authority	Adjustments	Statement of Activities
Revenues			
Lease Income	\$ 665,763	\$ (385,000) [1]	\$ 280,763
Total Revenues	665,763	(385,000)	280,763
Expenditures			
Debt Service - Principal	385,000	(385,000) [2]	--
Debt Service - Interest	280,513	--	280,513
Total Expenditures	665,513	(385,000)	280,513
Excess of Revenues Over			
(Under) Expenditures	250	--	250
Net Change in Fund Balance / Net Position	250	--	250
<i>Fund Balance / Net Position at Beginning of Period</i>	<i>3,069</i>	<i>--</i>	<i>3,069</i>
Fund Balance / Net Position at End of Period	\$ 3,319	\$ --	\$ 3,319

[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.

City of Sturgis
Economic Development Corporation Balance Sheet and Statement of Net Position
September 30, 2022

	Economic Development Corporation	Adjustments	Statement of Net Position
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 539	\$ --	\$ 539
Total Current Assets	539	--	539
<i>Noncurrent Assets</i>			
Capital Assets being Depreciated	--	923,082 [1]	923,082
Total Assets	\$ 539	\$ 923,082	\$ 923,621
FUND BALANCE			
<i>Restricted for:</i>			
Community and Economic Development	539	(539)	--
Total Fund Balance	539	(539)	--
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 539	\$ (539)	\$ --
NET POSITION			
Net Investment in Capital Assets		\$ 923,082	\$ 923,082
<i>Restricted for:</i>			
Community and Economic Development		539	539
Total Net Position		\$ 923,621	\$ 923,621

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

City of Sturgis
Economic Development Corporation Statement of Revenues, Expenditures,
and Changes in Fund Balance and Statement of Activities
For the Year Ended September 30, 2022

	<u>LDFA</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Capital grants and contributions	\$ 308,000	\$ --	\$ 308,000
<i>Total Revenues</i>	<u>308,000</u>	<u>--</u>	<u>308,000</u>
Expenditures			
Community and Economic Development	923,082	(923,082) [1]	--
<i>Total Expenditures</i>	<u>923,082</u>	<u>(923,082)</u>	<u>--</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(615,082)</u>	<u>923,082</u>	<u>308,000</u>
<i>Net Change in Fund Balance / Net Position</i>	<u>(615,082)</u>	<u>923,082</u>	<u>308,000</u>
<i>Fund Balance / Net Position at Beginning of Period</i>	615,621	--	615,621
<i>Fund Balance / Net Position at End of Period</i>	<u>\$ 539</u>	<u>\$ 923,082</u>	<u>\$ 923,621</u>

[1] Capital asset purchases are recorded as expenditures at the fund level; however, in the statement of net position, these assets will be depreciated over their estimated useful lives.

March 31, 2023

To the City Commission
City of Sturgis, Michigan

We have audited the accompanying financial statements of the governmental activities, 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”) for the year ended September 30, 2022. 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 January 9, 2023. 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. There were no new accounting policies adopted and, the application of existing policies was not changed during the fiscal year ended September 30, 2022. 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 vacation banks.
- The assumptions used in the actuarial valuation of the pension are based on historical trends and industry standards.

We evaluated key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

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, 2023.

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

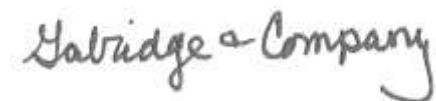
We applied certain limited procedures to the management's discussion and analysis, budgetary comparison information, and the schedules for the defined benefit pension and OPEB plans, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted 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 and individual fund financial 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.

Restriction on Use

This information is intended solely for the 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 signature is written in a cursive, flowing style.

Gabridge & Company, PLC
Grand Rapids, MI