

VILLAGE OF SUTTONS BAY
SUTTONS BAY, MICHIGAN

For Year Ended
December 31, 2010

Audit Report

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VILLAGE OF SUTTONS BAY
TABLE OF CONTENTS

1	INTRODUCTORY SECTION
2-3	Independent Auditor's report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with Government Auditing Standards
4	FINANCIAL SECTION
5	Independent Auditor's Report
6-8	Management Discussion and Analysis
9	Statement of Net Assets
10	Statement of Activities
11	Balance Sheet - Governmental Funds
12	Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds
13	Reconciliation Statements
14	Combined Balance Sheet - All Enterprise Funds
15	Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - All Enterprise Funds
16	Combined Statement of Cash Flows - All Enterprise Funds
17-23	Notes to Financial Statements
24	SUPPLEMENTAL STATEMENTS
25	Supplemental Letter
26	REQUIRED SUPPLEMENTAL
27	Comparative Combining Balance Sheet All Governmental Funds
28	Comparative Combining Statement of Revenues, Expenditures and Changes in Fund Balance Other Non-Major Funds
29	Comparative Statement of Revenues, Expenditures and Changes in Fund Balance General Fund - Budget vs. Actual
30	Enterprise Funds
31	Combining Comparative Balance Sheet All Enterprise Funds
32	Combining Comparative Statement of Revenues, Expenditures and Changes in Retained Earnings - All Enterprise Funds
33	Combining Comparative Statement of Cash Flows - All Enterprise Funds

INTRODUCTORY SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS

To the Board of Trustees of
Village of Suttons Bay
Suttons Bay, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund statement of financial position of Village of Suttons Bay as of and for the year ended December 31, 2010, and have issued our report thereon dated May 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Suttons Bay's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Village of Suttons Bay's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Village of Suttons Bay's internal control over financial reporting.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant nor material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Suttons Bay's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the management, others within the organization and the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "David L. Wilson CPA". The signature is fluid and cursive, with the initials "DLW" being prominent.

Interlochen, MI
May 13, 2011

FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Village of Suttons Bay
Suttons Bay, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Suttons Bay, Michigan, as of and for the year ended December 31, 2010, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Suttons Bay, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Suttons Bay, Michigan, as of December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 13, 2011, on our consideration of the Village of Suttons Bay, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Interlochen, MI
May 13, 2011

Village of Suttons Bay

Management Discussion and Analysis

This discussion and analysis provides an overview of the Village's financial activities for the fiscal year ended December 31, 2010. Please read it in conjunction with the Village's financial statements.

Financial Highlights:

- The Village's net assets changed with a 4.3% increase to net assets.

Using this Annual Report:

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Fund Financial Statements present a short-term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund Financial Statements also report the Village's operations in more detail than the Government-Wide Financial Statements by providing information about the Village's most significant funds. The Fiduciary Fund Statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Village's Most Significant Funds:

1. Government Fund Types use modified accrual basis and include -

The *general funds* account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

The *special revenue funds* account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of funds.

The *capital projects funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

2. Fiduciary fund types include -

The *Trust and Agency Fund* is unbudgeted and accounts for activities within those areas where the Village is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Village.

3. Proprietary fund types include -

The *enterprise funds* use the full accrual basis for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Village as a Whole:

The following table shows current year net assets in the governmental funds:

Assets	
Cash	729,669
Other Assets	<u>207,013</u>
Total Assets	936,682
Liabilities and Net Assets	
Liabilities	16,436
Net Assets	<u>920,246</u>
Total Liabilities and Net Assets	936,682

The Village's governmental net assets increased 4.3% from a year ago - increasing from \$2,831,966 to \$2,952,904. This was primarily due to careful budgetary control.

Revenues	
Taxes	730,269
State Revenue	105,653
Project Grants	10,000
Interest and Rental	17,524
Charges for Services	1,209,571
Other	<u>85,987</u>
Total Revenue	2,159,004
Expenditures	<u>1,406,847</u>
Excess Revenue/(Expense)	752,157
Less Depreciation	231,239
Plus Transfers	0
Less Payment on Long Term Debt	31,019
Net Changes in Net Assets	489,899

The Village's Funds:

Our analysis of the Village's major fund begins in the supplemental data following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax millage.

The General Fund pays for most of the Village's governmental services.

General Fund Budgetary Highlights:

Over the course of the year the Village Board was able to maintain the Village departments within their prescribed budgets. Some budget increases were necessary, the most significant to the Village Council. This increase was more than offset with a commensurate reduction in the Village Hall .

Capital Asset and Debt Administration:

Capital Assets

	Asset	Depreciation	Accumulated Depreciation
General Fixed Assets			
Buildings	1,121,855	16,307	243,153
Land	1,165,964	0	0
Equipment	<u>793,855</u>	<u>80,934</u>	<u>608,635</u>
Total General Fixed Assets	3,081,674	97,241	851,788

Debt

The Village acquired no additional debt in 2010. Changes in the long-term debt schedules are below:

Bonds Payable	Beginning	Additions	Retirements	Ending
General Obligation	108,436	0	17,000	91,436
State obligation	1,915,000	0	100,000	1,815,000
Note Payable	164,000	0	164,000	0

Economic Factors and Next Year's Budgets and Rates:

Village of Suttons Bay's 2010 budget calls for the allocated millages to support general operating and roads.

General Overview of the Accomplishments of the Village in the 2010 Fiscal Year:

The Village finances have been managed very closely during this fiscal year. This is reflected in a significant increase of the General Fund balance. The Village is in a very healthy state as a whole.

Contacting the Village's Management:

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact our office at (231) 271-3051.

VILLAGE OF SUTTONS BAY, MICHIGAN
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$729,669	\$912,979	\$1,642,648
Account Receivable - Trade	59,238	31,890	91,128
Account Receivable - Grant		0	0
Unbilled Revenue		44,554	44,554
Special Assessments Rec		3,022	3,022
Due From Other Funds	142,053	135,573	277,626
Rec From State	500		500
Rec From Other Agencies	0		0
Inventory		12,456	12,456
Prepaid Expense	5,222	3,140	8,362
Land	1,165,964	1,083,886	2,249,850
Capital Assets, net	1,063,922	6,890,515	7,954,437
Total Assets	<u>3,166,568</u>	<u>9,118,015</u>	<u>12,284,583</u>
LIABILITIES			
Accounts Payable	26,686	10,757	37,443
Due to Other Funds		277,626	277,626
Due to Other Agencies		0	0
Accrued Expenses	(10,250)	5,144	(5,106)
Noncurrent liabilities			
Due within one year	65,988	140,675	206,663
Due in more than one year	131,240	1,715,000	1,846,240
Total Liabilities	<u>213,664</u>	<u>2,149,202</u>	<u>2,362,866</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,032,658	0	2,032,658
Restricted		3,787,341	3,787,341
Unrestricted (deficit)	920,246	3,181,472	4,101,718
Total Net Assets	<u>2,952,904</u>	<u>6,968,813</u>	<u>9,921,717</u>
Total Liabilities and Net Assets	<u>\$3,166,568</u>	<u>\$9,118,015</u>	<u>\$12,284,583</u>

The footnotes are an integral part of these Financial Statements.

VILLAGE OF SUTTONS BAY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets Primary Government		Total
			Governmental Activities	Business-type Activities	
Primary government					
Governmental activities:					
Legislative	\$9,932	\$0	(\$9,932)	\$0	(\$9,932)
General government	89,954	0	(89,954)	0	(89,954)
Public safety	129,620	0	(129,620)	0	(129,620)
Public works	290,648	1,125	(289,523)	0	(289,523)
Health and Welfare	0	0	0	0	0
Motor Vehicle Leases	0	108,000	108,000	0	108,000
Recreation and Culture	88,549	0	(88,549)	0	(88,549)
Other	196,067	2,973	(193,094)	0	(193,094)
Interest on Long Term Debt	4,313	0	(4,313)	(31,019)	(35,332)
Total Governmental Activities	809,083	112,098	(696,985)	(31,019)	(728,004)
Business Type Activities					
Enterprise Funds	597,764	1,097,473	0	499,709	499,709
Total Primary Government	1,406,847	1,209,571	(696,985)	468,690	(228,295)
General revenues:					
Taxes					
Property Taxes-general			730,269	0	730,269
State-Shared Revenues			105,653	0	105,653
Unrestricted Investment Earnings			11,418	6,106	17,524
Other Taxes			0	0	0
Grants			10,000	0	10,000
Miscellaneous			79,624	6,363	85,987
			936,964	12,469	949,433
Transfers			(21,800)	21,800	0
Depreciation			(97,241)	(133,998)	(231,239)
Total General Revenues-Special Items and Transfers			817,923	(99,729)	718,194
Changes in Net Assets			120,938	368,961	489,899
Net Assets - Beginning			2,831,966	6,599,852	9,431,818
Net Assets - Ending			\$2,952,904	\$6,968,813	\$9,921,717

The footnotes are an integral part of these Financial Statements.

VILLAGE OF SUTTONS BAY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General Fund	Property Replacement Fund	Local Street Fund	Major Street Fund	Total
ASSETS					
Cash, investments and cash equivalents	\$580,740	\$27,754	\$53,656	\$67,519	\$729,669
Receivables (net)	51,120		2,788	5,330	59,238
Due From State	500				500
Due From Other Agencies	0				0
Prepaid Expenditures	3,749		723	750	5,222
Internal balances	142,053				142,053
Other Assets					
Total Assets	<u>778,162</u>	<u>27,754</u>	<u>57,167</u>	<u>73,599</u>	<u>936,682</u>
LIABILITIES					
Accounts payable	11,574	0	11,479	3,633	26,686
Internal balances	0				0
Accrued payables	(10,250)				(10,250)
Deferred revenue	0				0
Other Liabilities					0
Total Liabilities	<u>1,324</u>	<u>0</u>	<u>11,479</u>	<u>3,633</u>	<u>16,436</u>
NET ASSETS					
Committed for:					
Capital projects					0
Debt Service		27,754			27,754
Unassigned (deficit)	776,838	0	45,688	69,966	892,492
Total Net Assets	<u>776,838</u>	<u>27,754</u>	<u>45,688</u>	<u>69,966</u>	<u>920,246</u>
Total Liabilities and Net Assets	<u>\$778,162</u>	<u>\$27,754</u>	<u>\$57,167</u>	<u>\$73,599</u>	<u>\$936,682</u>

VILLAGE OF SUTTONS BAY, MICHIGAN
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2010

	General	Property Replacement	Major Street	Local Street	Total Governmental
Revenues					
Taxes and Penalties	\$730,269	\$0	\$0	\$0	\$730,269
Licenses and Permits	2,973		0	0	2,973
Federal Grants	0		0	10,000	10,000
State Shared Revenue	43,786		39,534	22,333	105,653
Charges for Services	1,125		0	0	1,125
Fines and Forfeits	468		0	0	468
Interest and Rentals	10,301	7	739	371	11,418
Motor Vehicle Leases	83,000				83,000
Fuel and Oil Fees	25,000				25,000
Other Revenue	46,882		31,105	1,169	79,156
Total Revenues	943,804	7	71,378	33,873	1,049,062
Expenditures					
Legislative	9,932		0	0	9,932
General Government	89,954		0	0	89,954
Public Safety	129,620		0	0	129,620
Public Works	131,422		95,421	93,685	320,528
Health and Welfare	0		0	0	0
Recreation and Cultural	88,549		0	0	88,549
Other	70,018	65,181	0	0	135,199
Other Expenses	0	4,313	14,665	11,546	30,524
Miscellaneous Service	0		0	0	0
Total Expenditures	519,495	69,494	110,086	105,231	804,306
Excess of Revenues Over (Under) Expenditures	424,309	(69,487)	(38,708)	(71,358)	244,756
Other Financing Sources (Uses)					
Transfers In	0	97,241	45,000	71,400	213,641
Transfers (Out)	(235,441)		0	0	(235,441)
Bond Proceeds	0		0	0	0
Total Other Financing Sources (Uses)	(235,441)	97,241	45,000	71,400	(21,800)
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	188,868	27,754	6,292	42	222,956
Fund Balance January 1, 2010	587,970	0	63,674	45,646	697,290
Fund Balance December 31, 2010	\$776,838	27,754	\$69,966	\$45,688	\$920,246

VILLAGE OF SUTTONS BAY, MICHIGAN
 Reconciliation of the Balance Sheet
 to the Statement of Net Assets
 December 31, 2010

Fund Balance - Total Governmental Funds	\$920,246
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>General Governmental Capital Assets net of accumulated depreciation are not financial resources and not reported in the funds. Net additions</p>	2,229,886
<p>Debt Service payable normally shown in Debt Group of Accounts</p>	(197,228)
Net Assets of Governmental Activities	\$2,952,904

VILLAGE OF SUTTONS BAY, MICHIGAN
 Reconciliation of the Statement of Revenue, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 December 31, 2010

Net Change in Fund Balances - Total Governmental Funds	\$222,956
<p>Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.</p>	60,404
<p>General Debt Payments</p>	(65,181)
<p>Depreciation</p>	(97,241)
	(101,978)
Change in Net Assets of Governmental Activities	\$120,938

VILLAGE OF SUTTONS BAY, MICHIGAN
 Combined Balance Sheet
 All Enterprise Funds
 As of December 31, 2010

ASSETS

Current Assets	
Cash	\$912,979
Account Receivable - Trade	31,890
Account Receivable - Grant	0
Unbilled Revenue	44,554
Special Assessments Rec	3,022
Due From Other Agencies	135,573
Taxes Receivable	0
Inventory	12,456
Prepaid Expenses	3,140
Total Current Assets	1,143,614
Noncurrent Assets	
Land	1,083,886
Construction in Process	126,048
Property, Plant & Equipment - Net	6,764,467
Bond Issuance Cost	0
Total Non Current Assets	7,974,401
Total Assets	9,118,015

LIABILITIES AND FUND EQUITY

LIABILITIES:	
Accounts Payable	10,757
Deferred Revenue	0
Security Deposits	0
Accrued Interest Payable	5,144
Due To Other Agencies	277,626
Current Portion of Long Term Debt	140,675
Total Current Liabilities	434,202
Long Term Debt	1,715,000
Total Liabilities	2,149,202
FUND EQUITY:	
Retained Earnings	
Unreserved	3,181,472
Reserved	3,787,341
Total Fund Equity	6,968,813
Total Liabilities and Fund Equity	\$9,118,015

The footnotes are an integral part of these Financial Statements.

VILLAGE OF SUTTONS BAY, MICHIGAN
 Combined Statement of Revenues, Expenses and Changes in Retained Earnings
 All Enterprise Funds
 For the Years Ended December 31, 2010

OPERATING REVENUES	
Charges for Service	\$1,097,473
Refunds and Other	<u>6,363</u>
Total Revenues	1,103,836
OPERATING EXPENDITURES	
Operations and Maintenance	520,137
Administration	77,627
Depreciation and Amortization	<u>133,998</u>
Total Expenditures	<u>731,762</u>
OPERATING INCOME (LOSS)	372,074
NON-OPERATING INCOME (EXPENSE)	
Interest on Investments	6,106
Proceeds from Grant	0
Transfers In (Out)	21,800
Bond Interest and Fees	<u>(31,019)</u>
Total Non-Operating Income (Expenses)	<u>(3,113)</u>
NET INCOME (LOSS)	368,961
RETAINED EARNINGS, BEGINNING	<u>6,599,852</u>
RETAINED EARNINGS, ENDING	<u><u>\$6,968,813</u></u>

The footnotes are an integral part of these Financial Statements.

VILLAGE OF SUTTONS BAY, MICHIGAN
 Combined Statement of Cash Flows
 All Enterprise Funds
 For the Year Ended December 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Net Operating Income	\$372,074
Adjustment to Reconcile Net Operating Income to Net Cash Provided by Operating Activities	
Depreciation	133,998
(Increase) Decrease in Account Receivable - Trade	5,921
(Increase) Decrease in Due from Other Funds	90,029
Increase (Decrease) in Deferred Revenue	(2,142)
(Increase) Decrease in Prepaid	108
Increase (Decrease) in Accounts Payable	(608)
Increase (Decrease) In Due To Other Funds	28,433
Increase (Decrease) in Accrued Interest Payable	<u>(7,843)</u>
Net Cash Provided by Operating Activities	619,970

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on Investments	6,106
Transfers in	0
Acquisition of Capital Assets	<u>0</u>
Net Cash Provided by Investing Activities	6,106

CASH FLOWS FROM FINANCING ACTIVITIES

Interest paid on Long-Term Debt	(31,019)
Principal paid on Long-Term Debt	(316,530)
Proceeds from Debt	<u>0</u>
Net Cash Used by Financing Activities	(347,549)

TRANSFERS IN (OUT) 21,800

NET INCREASE IN CASH AND EQUIVALENTS 300,264

CASH AND EQUIVALENTS, BEGINNING 612,715

CASH AND EQUIVALENTS, ENDING \$912,979

VILLAGE OF SUTTONS BAY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Suttons Bay was incorporated on October 11, 1898 and covers an area of approximately 1.2 square miles. The Village operates under an elected Village Council of 7 members and provides services to its more than 480 residents in many areas including fire protection, water and sewer services, community enrichment and development, and human services.

Presentation

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely significantly on fees and charges for support.

The statement of activities demonstrates the degree direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or recipients who purchase, use, or benefit from the goods and services provided by the various function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

REPORTING ENTITY

As defined by the Governmental Accounting Standards Board Statement 1, all relevant criteria was reviewed in an attempt to decide if other entities ought to be included in this audit report. If certain oversight responsibility occurs, that subordinate entity activity should be noted in this report. Oversight responsibility is evidenced by:

- selection of governing authority
- designation of management
- ability to significantly influence operations
- budgetary authority
- responsibility to fund deficits or receive surplus funds
- fiscal management
- providing significant subsidies

Based on our review, conducted in accordance with GASB 14 and Michigan Department of Treasury Statement on Michigan Governmental Accounting and Auditing No 5, this report includes no other unit of government as a component unit.

BASIS OF PRESENTATION

The financial activities of the local unit are recorded in separate funds, categorized and described as follows:

GOVERNMENTAL FUND TYPES

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, included the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other intergovernmental revenues.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted for specific purposes. These funds include the Major and Local Street Funds.

PROPRIETARY FUND TYPE

Enterprise Funds - These 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. The Village's Sewer, Water and Marina Funds are Enterprise Funds.

MEASUREMENT FOCUS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and Trust and Agency fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer function and various other functions of the government. Elimination of these would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

BASIS OF ACCOUNTING

All governmental funds utilize the modified accrual basis of accounting as described in GASB #1 and reports in accordance with GASB #34 as affected by GASB #54. Under this method, revenues are recognized when received in cash except for those susceptible to accrual, which are recorded as receivable.

Significant revenues susceptible to accrual include property taxes, expenditures reimbursement type grants, certain intergovernmental revenues and operating transfers. Expenditures are recorded when the liability is incurred, except for interest on long-term debt, which is recorded when paid.

The financial statements of proprietary funds are reflected on the accrual basis and recorded as incurred.

USE OF ESTIMATES

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

BUDGETS AND BUDGETARY ACCOUNTING

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the financial statements for these were prepared on a basis not significantly different from modified accrual basis used to reflect actual results.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an account or line-item basis. The approved budgets of the Village for these budgetary funds were adopted to the activity level, or by total fund revenue/expenditures for the smaller funds.

ACCUMULATED FUND DEFICITS

No funds had a negative fund balance.

COMPARATIVE DATA

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Villages financial position and operations.

SICK AND VACATION LEAVE

Village employees cannot accumulate sick-leave. Sick leave is non-cumulative and must be used by fiscal year end or it is lost without reimbursement to the employee.

Village employees cannot accumulate vacation. Vacation is non-cumulative and must be used by fiscal year end or it is lost without reimbursement to the employee.

PENSION/RETIREMENT PLAN

The Village sponsors the "Village of Suttons Bay Retirement Plan," a self administered defined contribution plan created in accordance with Internal Revenue Code Section 457. The plan covers substantially all employees with the exception of seasonal employees. Employer contributions are based upon 5% of annual payroll. Employees are vested 100% immediately in employee contributions and Employer contributions are vested at 20% for at least two but no more than three years, 40% for at least three but no more than four years, 60% for at least four but no more than five years and 80% for at least five but no more than six years and 100% at six or more years of service. During 2010 employer contributions amounted to \$23,519.

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal or Contractual Provisions for Deposits and Investments

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Authority by which Treasurers may invest funds and includes the following:

- a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d) Repurchase agreements consisting of instruments listed in subdivision (a).
- e) Bankers' acceptances of United States banks.
- f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- g) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 USC 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - i) The purchase of securities on a when-issued or delayed delivery basis.
 - ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967.
- i) Investment pools organized under the surplus funds investment pool act, 1982 PA 367.
- j) The investment pools organized under the local government investment pool act, 1985 PA 121. In bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States, in which the principal and interest is fully guaranteed by the United States.

B. Types of Deposits: The Village maintains its cash deposits in the Fifth Third Bank, TBA, and Northwestern Bank. The following table categorizes the Village's deposits into the various degrees of security associated with the deposits:

	<u>Checking and Savings</u>	<u>FDIC Insured</u>
Central Checking	\$1,039,676	\$1,039,676
Savings	58,324	58,324
Tax Account	<u>24</u>	<u>24</u>
Total	\$1,098,024	\$1,098,024

The total in Certificates of deposit are \$544,525 and are not included.

In addition, there is petty cash including receipts, in the amount of \$100.

NOTE 3 - INVENTORIES

The Village does not maintain any material inventories.

NOTE 4 -CAPITAL ASSETS

Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the fiscal year.

Capital assets of the primary government and component units are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
System infrastructure	20-50
Vehicles	5-10
Equipment	5-20

NOTE 5 - PROPERTY TAX RECOGNITION

Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For property taxes this is deemed to be received within 60 days. The remainder of the delinquent receivables for property tax are classified as Deferred Taxes rather than revenue. Properties are assessed as of December 31, and the related property taxes become a lien on July 1 of the following year. These taxes are due on August 15, with the final collection date of September 14 before they are added to the County tax delinquent rolls.

NOTE 6 - OPERATING TRANSFERS

There were no operating transfers during the year except those noted in NOTE 10. Monies transferred between various funds are offset by the appropriate interfund receivable.

NOTE 7 - LONG TERM DEBT

On June 23, 2005, the Village Council approved the loan of \$2,200,000 at 1.624% from the State Revolving Loan Fund. The debt is to be paid as listed below:

Fiscal Year	Principal	Interest	Total
2011	100,000	29,494	129,494
2012	100,000	27,869	127,869
2013	105,000	26,244	131,244
2014	105,000	24,777	129,777
2015	105,000	29,494	134,494
Next Five	560,000	87,669	647,669
Next Five	610,000	40,544	650,544
Last Year	130,000	2,113	132,113

On 07/20/98, the Village Council approved a loan of \$302,000 at 5.79% from the Fifth Third Bank. The note was paid off in 2010.

NOTE 8 - Accounts payable include an amount per Board resolution of 5% of the salaries for pension payments. The total due is \$22,344. Such pension is required to be deposited within 30 days of the date earned.

NOTE 9 - INTERFUND RECEIVABLE AND PAYABLE

	<u>Due To</u>	<u>Due From</u>
General Fund	142,053	
Marina Fund	135,573	
Water Fund		277,626

NOTE 10 - TRANSFERS

	Transfers In	Transfers Out
General Fund		235,441
Property Replacement	97,241	
Local Street	71,400	0
Major Street	45,000	
Sewer	25,000	50,000
Water	61,800	
Marina		15,000

NOTE 11 - ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTAL UNITS

Following is a schedule of receivables at December 31, 2010:

<u>General Fund</u>	
State Rev Sharing	14,503
Taxes	<u>36,617</u>
Total General Fund	51,120
<u>Enterprise Funds</u>	
Marina Receivable	0
Other receivable	0
Utility customers receivable	<u>31,890</u>
Total Enterprise Funds	31,890

NOTE 12 - CAPITAL ASSETS

General Fixed Assets have been acquired for general Village purposes and at the time of purchase were recorded as expenditures. The assets have been capitalized for the presentation of Net Assets.

	Assets			Beginning				Ending	
	Beginning	Balance	Balance	Ending	Accumulated	Balance	Deletions	Accumulated	Deletions
	Balance	Additions	Deletions	Balance	Balance	Additions	Deletions	Balance	Balance
Land	1,165,964			1,165,964					
Buildings	1,121,855			1,121,855	226,846	16,307		243,153	
Equipment	783,321	26,211	15,677	793,855	543,378	80,934	15,677	608,635	
	3,071,140	26,211	15,677	3,081,674	770,224	97,241		851,788	

Enterprise Fund Fixed Assets

	Assets			Beginning				Ending	
	Beginning	Balance	Balance	Ending	Accumulated	Balance	Deletions	Accumulated	Deletions
	Balance	Additions	Deletions	Balance	Balance	Additions	Deletions	Balance	Balance
Land	1,083,886			1,083,886					
WIP	126,048			126,048					
Sewer	6,703,476			6,703,476	1,043,637	57,498		1,101,135	
Water	1,062,874			1,062,874	404,156	22,500		426,656	
Marina	1,420,983			1,420,983	841,075	54,000	0	895,075	
	10,397,267			10,397,267	2,288,868	133,998		2,422,866	

NOTE 13 - RETAINED EARNINGS AND PRIOR PERIOD ADJUSTMENTS

There are no restricted bond payable.

NOTE 14 - DEFICIT FUNDS AND EXPENDITURES IN EXCESS OF APPROPRIATIONS

Public Act 621 of 1978, requires that a municipality shall not incur expenditures in excess of the monies appropriated. No activity expended amounts greater than appropriations. No funds are in deficit.

NOTE 15 - RISK MANAGEMENT

All risks are covered through the use of commercial insurance.

SUPPLEMENTAL STATEMENTS

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To the Suttons Bay Village Council
Suttons Bay, MI

We have audited the combined financial statements of the Village of Suttons Bay, Michigan for the year ended December 31, 2010. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of the additional analysis and are not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.



Interlochen, MI
May 13, 2011

REQUIRED
SUPPLEMENTAL STATEMENTS

VILLAGE OF SUTTONS BAY, MICHIGAN
Comparative Combining Balance Sheet
All Governmental Funds
For the Years Ended December 31, 2009 & December 31, 2010

	General Fund		Property Replacement Fund		Major Street Fund		Local Street Fund		Total	
	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
ASSETS										
Cash	\$525,691	\$580,740	\$0	\$27,754	\$59,499	\$67,519	\$43,940	\$53,656	\$629,130	\$729,669
Due From Other Funds	23,589	142,053	0				0	0	23,589	142,053
Due From State	500	500	0						500	500
Due From Other Agencies	0	0	0						0	0
Prepaid Expense	3,820	3,749	0		669	750	645	723	5,134	5,222
Receivable	45,517	51,120	0		5,202	5,330	2,757	2,788	53,476	59,238
Total Current Assets	599,117	778,162	0	27,754	65,370	73,599	47,342	57,167	711,829	936,682
LIABILITIES AND FUND EQUITY										
LIABILITIES:										
Accounts Payable	11,147	11,574	0	0	1,696	3,633	1,696	11,479	14,539	26,686
Due to Other Funds									0	0
Due to Other Agencies									0	0
Accrued Expenses		(10,250)							0	(10,250)
Current portion of long-term debt									0	0
Deferred Comp Payable									0	0
Total Current Liabilities	11,147	1,324	0	0	1,696	3,633	1,696	11,479	14,539	16,436
FUND EQUITY:										
Fund Balance:										
Committed			0	27,754						27,754
Unassigned	587,970	776,838	0	0	63,674	69,966	45,646	45,688	697,290	892,492
Total Fund Equity	587,970	776,838	0	27,754	63,674	69,966	45,646	45,688	697,290	920,246
Total Liabilities and Fund Equity	\$599,117	\$778,162	\$0	\$27,754	\$65,370	\$73,599	\$47,342	\$57,167	\$711,829	\$936,682

The footnotes are an integral part of these Financial Statements.

VILLAGE OF SUTTONS BAY, MICHIGAN
Comparative Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Other Non Major Funds
For the Years Ended December 31, 2009 & December 31, 2010

	Property Replacement Fund		Major Street Fund		Local Street Fund		Total Non-Major	
	2009	2010	2009	2010	2009	2010	2009	2010
REVENUES								
State Shared	0	0	\$34,230	\$39,534	\$18,289	\$22,333	\$52,519	\$61,867
Interest	0	7	107	739	77	371	184	1,117
Other	0	0	6,686	1,039	0	1,169	6,686	2,208
Contributions- other funds	0	0	0	0	0	0	0	0
Contributions- County	0	0	28,628	30,066	0	0	28,628	30,066
Grants	0	0	0	0	0	10,000	0	10,000
Total Revenues	0	7	69,651	71,378	18,366	33,873	88,017	105,258
EXPENDITURES								
Public Safety/Routine Maintenance	0	0	61,449	49,574	55,250	51,407	116,699	100,981
Public Safety/Winter Maintenance	0	0	28,724	33,050	24,834	34,271	53,558	67,321
Other Administration	0	0	242	275	242	275	484	550
Sidewalk Improvements	0	0		1,999		1,035	0	3,034
Contracted Services	0	0		10,523		6,697	0	17,220
Payment on Loans	0	65,181		0		0	0	65,181
Interest	0	4,313		0		0	0	4,313
Work in Progress	0	0		14,665		11,546	0	26,211
Total Expenditures	0	69,494	90,415	110,086	80,326	105,231	170,741	284,811
EXCESS REVENUES OVER (UNDER) EXPENDITURES	0	(69,487)	(20,764)	(38,708)	(61,960)	(71,358)	(82,724)	(179,553)
FUND BALANCE, BEGINNING	0	0	39,438	63,674	36,206	45,646	75,644	109,320
Transfer In/out	0	97,241	45,000	45,000	71,400	71,400	116,400	213,641
FUND BALANCE, ENDING	0	\$27,754	\$63,674	\$69,966	\$45,646	\$45,688	\$109,320	\$143,408

The footnotes are an integral part of these Financial Statements.

VILLAGE OF SUTTONS BAY
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget vs. Actual
For the Year Ended December 31, 2009 & December 31, 2010

<u>Revenue</u>	Original Budget	Final Budget	2009 Actual	2010	Variance Favorable (Unfavorable)
Current Property Taxes	\$740,200	\$730,260	\$750,119	\$730,269	\$9
Licenses and Permits	2,000	2,000	1,696	2,973	973
State Shared Revenues	38,400	38,900	41,874	43,786	4,886
State Grants	0	0	0	0	0
Earned Interest	2,400	4,200	4,208	10,301	6,101
Fines and Forfeits	500	500	768	468	(32)
Charges for Service	1,400	1,000	16,075	1,125	125
Motor Vehicle Leases	76,000	83,000	0	83,000	0
Fuel and Oil Fees	25,000	25,000	0	25,000	0
Contributions	25,000	25,000	20,000	25,000	0
Other Revenue	0	20,126	1,405	21,882	1,756
Total Revenues	<u>910,900</u>	<u>929,986</u>	<u>836,145</u>	<u>943,804</u>	<u>13,818</u>
 <u>Expenditure</u>					
General Government					
Village Council	14,624	16,624	8,914	9,932	6,692
Village Manager	32,477	32,477	25,399	31,005	1,472
Elections	130	130	0	130	0
Clerk	12,287	12,287	8,624	11,047	1,240
Treasurer	6,159	6,310	5,688	6,238	72
Village Hall	47,460	48,310	34,823	41,534	6,776
Total General Government	<u>113,137</u>	<u>116,138</u>	<u>83,448</u>	<u>99,886</u>	<u>16,252</u>
Public Safety-Law Enforcement	148,390	149,060	135,199	129,620	19,440
Public Works					
Department of Public Works	110,289	109,892	108,069	60,442	49,450
Zoning and Planning	60,447	60,552	53,818	56,075	4,477
Street Lighting	13,000	16,300	13,225	14,905	1,395
Total Public Works	<u>183,736</u>	<u>186,744</u>	<u>175,112</u>	<u>131,422</u>	<u>55,322</u>
Parks and Recreation	95,536	114,609	78,188	88,549	26,060
Motor Pool	77,545	73,091	0	70,018	3,073
Total Expenditures	<u>618,344</u>	<u>639,642</u>	<u>471,947</u>	<u>519,495</u>	<u>120,147</u>
Excess Revenues Over (Under) Expenditures	<u>292,556</u>	<u>290,344</u>	<u>364,198</u>	<u>424,309</u>	<u>133,965</u>
Other Financing Sources (Uses)					
Transfers Out	0	0	138,200	235,441	(235,441)
Transfers In	0	46,340	90,260	0	46,340
Excess Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>292,556</u>	<u>336,684</u>	<u>316,258</u>	<u>188,868</u>	<u>(101,476)</u>
Fund Balance - Beginning of Year			271,712	587,970	
Fund Balance - End of Year			<u>\$587,970</u>	<u>\$776,838</u>	

The footnotes are an integral part of these Financial Statements.

ENTERPRISE FUNDS

VILLAGE OF SUTTONS BAY, MICHIGAN
Combining Comparative Balance Sheet
All Enterprise Funds
For the Years Ended December 31, 2009 & December 31, 2010

	Sewer Fund		Water Fund		Marina Fund		Total	
	2009	2010	2009	2010	2009	2010	2009	2010
ASSETS								
Current Assets								
Cash	\$263,645	\$389,225	\$98,246	\$183,967	\$250,824	\$339,787	\$612,715	\$912,979
Account Receivable - Trade	5,018	7,517	18,781	24,287	5,741	86	29,540	31,890
Account Receivable - Grant	0	0	0	0			0	0
Unbilled Revenue	46,696	44,492	0	62			46,696	44,554
Special Assessments Rec	7,009	3,022		0			7,009	3,022
Due From Other Funds	0	0			225,602	135,573	225,602	135,573
Taxes Receivable	0	0					0	0
Inventory			12,456	12,456			12,456	12,456
Prepaid Expenses	1,397	1,104	938	1,072	913	964	3,248	3,140
Total Current Assets	323,765	445,360	130,421	221,844	411,630	476,410	937,266	1,143,614
Noncurrent Assets								
Land					1,083,886	1,083,886	1,083,886	1,083,886
Construction in Process			126,048	126,048			126,048	126,048
Property, Plant & Equipment - Net	5,659,839	5,602,341	658,718	636,218	579,908	525,908	6,898,465	6,764,467
Bond Issuance Cost	0	0					0	0
Total Non Current Assets	5,659,839	5,602,341	784,766	762,266	1,663,794	1,609,794	8,108,399	7,974,401
Total Assets	5,983,604	6,047,701	915,187	984,110	2,146,874	2,086,204	9,045,665	9,118,015
LIABILITIES AND FUND EQUITY								
LIABILITIES:								
Accounts Payable	3,798	3,364	2,681	2,531	4,949	4,862	11,428	10,757
Deferred Revenue					0	0	0	0
Security Deposits			0	0			0	0
Accrued Interest Payable	11,149	0	1,838	0		5,144	12,987	5,144
Due To Other Funds	0	0	249,193	277,626			249,193	277,626
Current Portion of Long Term Debt	100,000	100,000	17,000	40,675	93,205	0	210,205	140,675
Total Current Liabilities	114,947	103,364	270,712	320,832	98,154	10,006	483,813	434,202
Bonds Payable	1,815,000	1,715,000	147,000	0			1,962,000	1,715,000
Total Liabilities	1,929,947	1,818,364	417,712	320,832	98,154	10,006	2,445,813	2,149,202
FUND EQUITY:								
Retained Earnings								
Unreserved	308,818	441,996	497,475	663,278	2,048,720	2,076,198	2,855,013	3,181,472
Reserved	3,744,839	3,787,341					3,744,839	3,787,341
Total Fund Equity	4,053,657	4,229,337	497,475	663,278	2,048,720	2,076,198	6,599,852	6,968,813
Total Liabilities and Fund Equity	\$5,983,604	\$6,047,701	\$915,187	\$984,110	\$2,146,874	\$2,086,204	\$9,045,665	\$9,118,015

The footnotes are an integral part of these Financial Statements.

VILLAGE OF SUTTONS BAY, MICHIGAN
Combining Comparative Statement of Revenues, Expenses and Changes in Retained Earnings
All Enterprise Funds
For the Years Ended December 31, 2009 & December 31, 2010

	Sewer Fund		Water Fund		Marina Fund		Total	
	2009	2010	2009	2010	2009	2010	2009	2010
OPERATING REVENUES								
Charges for Service	\$516,543	\$529,357	\$196,656	\$222,389	\$358,372	\$345,727	\$1,071,571	\$1,097,473
Refunds and Other	0	2,513	510	775	0	3,075	510	6,363
Total Revenues	516,543	531,870	197,166	223,164	358,372	348,802	1,072,081	1,103,836
OPERATING EXPENDITURES								
Operations and Maintenance	209,421	232,825	134,384	70,036	189,554	217,276	533,359	520,137
Administration	24,445	23,583	25,950	24,925	29,782	29,119	80,177	77,627
Depreciation and Amortization	57,498	57,498	22,500	22,500	54,000	54,000	133,998	133,998
Total Expenditures	291,364	313,906	182,834	117,461	273,336	300,395	747,534	731,762
OPERATING INCOME (LOSS)	225,179	217,964	14,332	105,703	85,036	48,407	324,547	372,074
NON-OPERATING INCOME (EXPENSE)								
Interest on Investments	1,549	2,686	205	841	3,288	2,579	5,042	6,106
Proceeds from Grant	0	0					0	0
Transfers In (Out)	30,000	(25,000)	11,800	61,800	(20,000)	(15,000)	21,800	21,800
Bond Interest and Fees	(35,527)	(19,970)	(10,075)	(2,541)	(10,501)	(8,508)	(56,103)	(31,019)
Total Non-Operating Income (Expenses)	(3,978)	(42,284)	1,930	60,100	(27,213)	(20,929)	(29,261)	(3,113)
NET INCOME (LOSS)	221,201	175,680	16,262	165,803	57,823	27,478	295,286	368,961
RETAINED EARNINGS, BEGINNING	3,832,456	4,053,657	481,213	497,475	1,990,897	2,048,720	6,304,566	6,599,852
RETAINED EARNINGS, ENDING	\$4,053,657	\$4,229,337	\$497,475	\$663,278	\$2,048,720	\$2,076,198	\$6,599,852	\$6,968,813

The footnotes are an integral part of these Financial Statements.

VILLAGE OF SUTTONS BAY, MICHIGAN
Combining Comparative Statement of Cash Flows
All Enterprise Funds
For the Year Ended December 31, 2009 and 2010

	2009	2010	2009	2010	2009	2010	2009	2010
	Sewer Fund		Water Fund		Marina Fund		Total	
CASH FLOWS FROM OPERATING ACTIVITIES								
Net Operating Income	\$225,179	\$217,964	\$14,332	\$105,703	\$85,036	\$48,407	\$324,547	\$372,074
Adjustment to Reconcile Net Operating Income to Net Cash Provided by Operating Activities								
Depreciation	57,498	57,498	22,500	22,500	54,000	54,000	\$133,998	\$133,998
(Increase) Decrease in Account Receivable - Trade	26,718	5,896	29,781	(5,630)	(398)	5,655	56,101	5,921
(Increase) Decrease in Due From other Funds	11,787	0	0	0	0	90,029	11,787	90,029
Increase (Decrease) in Deferred Revenue	1,972	(2,204)		62	0	0	1,972	(2,142)
(Increase) Decrease in Prepaid	0	293		(134)		(51)	0	108
Increase (Decrease) in Accounts Payable	(1,087)	(434)	3,124	(150)	(856)	(24)	1,181	(608)
Increase (Decrease) In Due To Other Funds	(35,029)	0	9,936	28,433	(92)	0	(25,185)	28,433
Increase (Decrease) in Accrued Interest Payable	0	(11,149)	(58)	(1,838)		5,144	(58)	(7,843)
Net Cash Provided by Operating Activities	287,038	267,864	79,615	148,946	137,690	203,160	504,343	619,970
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest on Investments	1,549	2,686	205	841	3,288	2,579	5,042	6,106
Transfers in		0		0			0	0
Acquisition of Capital Assets	0	0					0	0
Net Cash Provided by Investing Activities	1,549	2,686	205	841	3,288	2,579	5,042	6,106
CASH FLOWS FROM FINANCING ACTIVITIES								
Interest paid on Long-Term Debt	(35,527)	(19,970)	(10,075)	(2,541)	(10,501)	(8,508)	(56,103)	(31,019)
Principal paid on Long-Term Debt	(155,000)	(100,000)	(15,000)	(123,325)	(39,517)	(93,205)	(209,517)	(316,530)
Proceeds from Debt			0	0			0	0
Net Cash Used by Financing Activities	(190,527)	(119,970)	(25,075)	(125,866)	(50,018)	(101,713)	(265,620)	(347,549)
TRANSFERS IN (OUT)	30,000	(25,000)	6,800	61,800	(20,000)	(15,000)	16,800	21,800
NET INCREASE IN CASH AND EQUIVALENTS	128,060	125,580	61,545	85,721	70,897	88,963	260,502	300,264
CASH AND EQUIVALENTS, BEGINNING	135,585	263,645	36,701	98,246	179,927	250,824	352,213	612,715
CASH AND EQUIVALENTS, ENDING	\$263,645	\$389,225	\$98,246	\$183,967	\$250,824	\$339,787	\$612,715	\$912,979

The footnotes are an integral part of these Financial Statements.

May 13, 2011

The Board of Trustees of
Village of Suttons Bay
Suttons Bay, MI

We have audited the financial statements of the Village of Suttons Bay for the year ended December 31, 2010 and have issued our report thereon dated May 13, 2011. Professional standards require that we provide you the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated April 28, 2011 our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Village of Suttons Bay are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Village of Suttons Bay's books during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transactions occurred.

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 disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

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

Audit Adjustments

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are 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 the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements of 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 May 13, 2011.

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 auditor. However, these discussions occurred in the normal course of our audit.

Internal Control

The size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. Some areas were discussed with an eye toward strengthening certain controls in cash through a review of the bank reconciliation by a third party. This situation also dictates that the Board of Trustees remain involved in the financial affairs of the Organization to provide oversight and independent review functions.

We wish to thank the Treasurer, Clerk and Bookkeeper for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Trustees and management of the Village of Suttons Bay.



Interlochen, MI
May 13, 2011