

City of Newaygo  
Newaygo County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

June 30, 2016



City of Newaygo

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# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

November 11, 2016

Honorable Mayor and Members  
of the City Council  
City of Newaygo  
Newaygo, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newaygo, Michigan, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newaygo, Michigan, as of June 30, 2016, 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.

Honorable Mayor and Members  
of the City Council  
City of Newaygo  
November 11, 2016  
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**Other Matters**

*Required Supplementary information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 3 – 12 and 43 – 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newaygo, Michigan’s basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2016, on our consideration of the City of Newaygo, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Newaygo, Michigan’s internal control over financial reporting and compliance.



Muskegon, Michigan

The City Manager and staff of the City of Newaygo present to the readers of the City's financial statements this overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. We encourage you to consider the information presented in the financial statements along with the additional information that has been furnished in this letter.

### **FINANCIAL HIGHLIGHTS**

Some financial highlights for the fiscal year ended June 30, 2016 include the following:

- The City completed various paving and chip sealing projects on several streets during the year for approximately \$182,000.
- The City purchased property at 95 and 53 Wood Street for future parking in the downtown at a cost of approximately \$111,000.
- Some vehicles and equipment were purchased totaling approximately \$165,000. Some used or obsolete equipment was sold. Revenue from the sales totaled approximately \$74,000.
- The General Fund fund balance decreased by \$88,572 for the year mostly due to purchase of properties mentioned above.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) notes to the financial statements and 3) fund 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 the reader with a broad overview of the City's finances. These statements are similar to those of a private sector business.

The Statement of Net Position presents information on all of the City's assets/deferred outflows of resources and liabilities/deferred inflows or resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

In the statement of net position and the statement of activities, the City is divided into three kinds of activities:

- Governmental activities - Most of the City's basic services are reported here, including public safety, public works, general administration, community and economic development and culture and recreation. Property taxes and state shared revenues finance most of these activities.
- Business-type activities - The City charges a fee to customers to help it cover all or most of the cost of certain services provided. The City's water and sewer systems are reported here.
- Component Unit activities – Component units are separate legal entities for which the City of Newaygo has some level of financial accountability. The City has two component units, the Tax Increment Finance Authority (TIFA) and Local Development Finance Authority (LDFA). TIFA and LDFA exist primarily for the issuance and repayment of debt to finance improvement projects in specific areas of the City.

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant City funds - not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council has established several other funds to help it control and manage money for particular purposes. The City has the following kinds of funds:

- Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and the governmental funds in reconciliation along with the fund financial statements.
- Proprietary funds - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. The City's Enterprise and Internal Service funds are proprietary funds. The City's water and sewer operations comprise the enterprise funds. The Equipment Pool is the only Internal Service fund. Proprietary funds are reported in the same way activities are reported in the statement of net position and the statement of activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail with additional information, such as a statement of cash flows.
- Fiduciary funds - The City is the trustee, or fiduciary, for certain funds. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

### **Notes to 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. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary information as it relates to the actual expenditures for the General Fund.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on budgetary information.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Our analysis of the government-wide financials focuses mainly on two things, net position (Statement of Net position) and changes in net position (Statement of Activities) of the City's governmental and business-type activities. The Component Units (TIFA and LDFA) are not included in these figures.

### **Net Position**

The first table presented below is a summary of the government-wide statement of net position for the City of Newaygo. As stated earlier, the net position may be used as an indicator of a government's financial health. As of June 30, 2016, the City's net position from governmental activities totaled approximately \$5,673,000 and \$5,398,000 from business-type activities, creating a total government-wide net position total of approximately \$11,071,000.

In examining the composition of net position, the reader should note that net position for governmental activities are mostly invested in capital assets (i.e., streets, buildings, land, vehicles, equipment, etc.). These assets are used to provide services to the City's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Net investment in capital assets is approximately \$4,348,000. Restricted net position, those restricted mainly for streets and highways, debt service, and capital projects were approximately \$530,000. The unrestricted net position for governmental-type activities is approximately \$795,000. This represents the amount of discretionary resources that can be used for general governmental operations.

Some of the more significant changes in activities from last year are as follows:

For governmental activities, current assets and other assets increased due to an increase in cash reserves. Capital assets decreased by approximately \$45,000 due to current year depreciation exceeding current year capital additions. Liabilities decreased primarily due to normal scheduled debt payments related to the downtown special assessment for parking lot improvements.

For business activities, current assets and other assets increased primarily due to an increase in cash reserves from increased revenues and expenses being under budget. Capital assets decreased due to depreciation exceeding current year capital investments. Current liabilities had a minor decrease. Non-current liabilities decreased due to scheduled debt payments.

Restricted net position increased due to cash contributions to the debt reserves and repair accounts. Unrestricted net position increased primarily due to an increase in cash reserves.

# CITY OF NEWAYGO, MICHIGAN

## Management's Discussion and Analysis

Net position (in thousands) as of June 30, follows:

	Governmental Activities		Business Activities		Total	
	2016	2015	2016	2015	2016	2015
Current assets and other assets	\$ 1,400	\$ 1,394	\$ 1,124	\$ 984	\$ 2,524	\$ 2,378
Capital assets	4,417	4,462	9,738	10,137	14,155	14,599
Total assets	5,817	5,856	10,862	11,121	16,679	16,977
Current liabilities	69	85	191	227	260	312
Noncurrent liabilities	75	103	5,273	5,367	5,348	5,470
Total liabilities	144	188	5,464	5,594	5,608	5,782
Net position						
Net investment in capital assets	4,348	4,357	4,371	4,679	8,719	9,036
Restricted	530	398	357	297	887	695
Unrestricted	795	913	670	551	1,465	1,464
Total net position	<u>\$ 5,673</u>	<u>\$ 5,668</u>	<u>\$ 5,398</u>	<u>\$ 5,527</u>	<u>\$ 11,071</u>	<u>\$ 11,195</u>

### Change in Net Position

#### **Governmental Activities**

Regarding revenues, charges for services increased due to large sale of crushed concrete. Operating grants increased primarily due to an increase in state funding of roads. Capital grants and contributions increased primarily due to contributions from TIFA for a sidewalk project on Division St.

Regarding expenses, General Government increased due to tree removal work, new part-time employee wages, repairs to heating system at City Hall, and expenses related to tax tribunal cases. Public safety increased due to more personnel expenses. Public works increased due to cost of crushing concrete collected over the years which is then sold or used in city projects.

#### **Business-Type Activities**

Regarding revenues, charges for services increased due to more water and sewer sales and connection fees. Capital grants and contributions decreased due to one-time grants/contributions in prior year regarding the water system improvement project and also the wellhead protection program.

Regarding expenses, sewer expenses increased due to more engineering costs for needed repairs to Wastewater Treatment Plant (WWTP), costs to develop a project plan, and repairs to many aerators. Water expenses increased primarily due to depreciation expense.



# CITY OF NEWAYGO, MICHIGAN

## Management's Discussion and Analysis

Changes in net position (in thousands) as of June 30, follows:

	Governmental Activities		Business Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 323	\$ 261	\$ 1,087	\$ 977	\$ 1,410	\$ 1,238
Operating grants and contributions	236	213	-	-	236	213
Capital grants and contributions	295	244	-	52	295	296
General revenues						
Property taxes	287	286	-	-	287	286
Franchise fees	19	18	-	-	19	18
Grants and contributions not restricted	470	471	-	-	470	471
Unrestricted investment earnings	12	9	1	2	13	11
Other	92	83	-	-	92	83
<b>Total revenues</b>	<b>1,734</b>	<b>1,585</b>	<b>1,088</b>	<b>1,031</b>	<b>2,822</b>	<b>2,616</b>
<b>Expenses:</b>						
General government	335	286	-	-	335	286
Public safety	422	386	-	-	422	386
Public works	821	759	-	-	821	759
Community and economic development	25	38	-	-	25	38
Culture and recreation	123	125	-	-	123	125
Interest on long term debt	3	6	-	-	3	6
Sewer	-	-	585	549	585	549
Water	-	-	632	597	632	597
<b>Total expenses</b>	<b>1,729</b>	<b>1,600</b>	<b>1,217</b>	<b>1,146</b>	<b>2,946</b>	<b>2,746</b>
Change in net position	5	(15)	(129)	(115)	(124)	(130)
Net position - Beginning	5,668	5,683	5,527	5,642	11,195	11,325
Net position - Ending	<u>\$ 5,673</u>	<u>\$ 5,668</u>	<u>\$ 5,398</u>	<u>\$ 5,527</u>	<u>\$ 11,071</u>	<u>\$ 11,195</u>

### **ANALYSIS OF THE CITY'S INDIVIDUAL FUNDS**

As stated earlier in this discussion and analysis, 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 in spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2016, the City governmental funds reported a combined fund balance of \$1,121,581. This number represents the fund balance of \$590,948 in the General Fund and \$530,633 in other governmental funds. The unassigned fund balance in the General Fund represents what is available for spending at the City's discretion.

The General Fund is the chief operating fund of the City. During the current fiscal year, the General Fund saw a fund balance decrease of \$88,572.

#### **Enterprise Funds**

The City's Enterprise funds provide the same type of information found in the governmental financial statements, but in more detail. In the financial statements, Sewer Fund and Water Fund are grouped together as "Enterprise Funds". As of June 30, 2016, unrestricted net position of the Sewer Fund and Water Fund were \$293,857 and \$328,125, respectively.

The largest single expense item for the Water and Sewer Funds is depreciation expense. With large infrastructure improvements and equipment purchases in the last few years, the City has more and newer capital assets that are depreciated each year.

#### **Component Units**

TIFA finances many of the City's infrastructure projects through property tax revenues and debt issuance, but TIFA normally does not own any of the improvements. The TIFA had a decrease in net position. TIFA assisted with a sidewalk project on Division street. TIFA also continued to assist the City with various other projects. TIFA also owns and operates a facility that serves as a co-working space, business incubator, and economic development hub for the area. TIFA has made significant progress in repayment of outstanding debt. TIFA repaid principal on long-term debt of \$613,417 during the year.

# CITY OF NEWAYGO, MICHIGAN

## Management's Discussion and Analysis

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the City Council made some budget amendments to the General Fund budget. These amendments related to expense to crush concrete, purchase of properties on Wood St, increased expenses due to tax tribunal cases, repair of heating system at City Hall, and more personnel expenses in the police dept.

The final amended budget to actual showed some budget variances. Regarding revenues, charges for services received more than expected revenue due to property maintenance fees and sale of crushed concrete. Fines and forfeitures were down due to less tax penalties and police citations. Regarding expenses, city office expense was under budget due to less wages, supplies, and other miscellaneous items. Public works was under budget primarily due to less utility expenses.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2016, the City had \$14,122,780, net of depreciation, invested in a broad range of capital assets including land, buildings, public safety equipment, roads, parks and water and sewer infrastructure. This represents a decrease of \$475,961 from last year. This decrease was primarily the result of depreciation exceeding current year capital asset additions. The City had a number of capital asset additions during the year including, but not limited to, street paving (\$182,000), and purchase of vehicles and equipment (\$165,000).

	Governmental Activities		Business Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 541,824	\$ 397,298	\$ 429,500	\$ 429,500	\$ 971,324	\$ 826,798
Land improvements	430,141	488,674	-	-	430,141	488,674
Building and improvements	733,657	758,981	-	-	733,657	758,981
Furniture, vehicles and equipment	392,779	339,874	4,649	6,156	397,428	346,030
Infrastructure	1,914,087	1,945,369	9,304,230	9,701,195	11,218,317	11,646,564
Shared improvements	405,305	526,944	-	-	405,305	526,944
Construction in progress	-	4,750	-	-	-	4,750
Total	<u>\$ 4,417,793</u>	<u>\$ 4,461,890</u>	<u>\$ 9,738,379</u>	<u>\$ 10,136,851</u>	<u>\$ 14,156,172</u>	<u>\$ 14,598,741</u>

Additional information on capital assets can be found in the notes to the financial statements.

**Long-Term Debt**

At June 30, 2016, the City had \$5,512,672 in long-term debt outstanding. This amount is comprised of many different debt obligations, most of which is attributed to debts on infrastructure for water and sanitary sewer systems.

	Governmental Activities		Business Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue bonds	\$ -	\$ -	\$ 5,367,000	\$ 5,458,000	\$ 5,367,000	\$ 5,458,000
Special assessment bonds	65,000	95,000	-	-	65,000	95,000
Capital lease	4,666	9,410	-	-	4,666	9,410
Compensated absences	49,757	43,072	26,249	23,820	76,006	66,892
Total	<u>\$ 119,423</u>	<u>\$ 147,482</u>	<u>\$ 5,393,249</u>	<u>\$ 5,481,820</u>	<u>\$ 5,512,672</u>	<u>\$ 5,629,302</u>

In addition, the City’s debt, the TIFA component unit had outstanding long-term debt totaling \$3,128,131. \$1,419,646 of this debt is owed on the Magna Mirrors building which is presently owned by the TIFA. Once this debt is repaid the building will be transferred to Magna Mirrors. The remainder of the debt is for a building owned by TIFA that serves as a business incubator, coworking space, and houses staff whose efforts are focused on economic development. Debt issued by the component unit is typically secured by the limited full faith and credit of the City and so it is an important consideration in assessing the City’s overall fiscal health.

Additional information concerning long-term debt can be found in the notes to the financial statements.

**GENERAL ECONOMIC OVERVIEW**

The City depends on four major sources of income to fund operations: local property taxes, state shared revenues from sales tax, state street funds, and water and sewer utility fees. Clearly, discussion of the City’s financial outlook must center on these major income sources.

*Local Property Tax*

The current 2016-17 City budget maintains the existing City millage rate of 17.75. The City continues to work on reducing the City millage amount as part of an on-going effort by the City Council and staff to decrease the tax burden on taxpayers and promote economic growth. The property tax values for real property are expected to rise due to increased economic activity.

The City of Newaygo and the Newaygo County Economic Development Office (NCEDO) continue to work diligently toward economic growth. Good managed growth will add to the tax revenue of the City and help to reduce the tax burden on each individual taxpayer of the City while improving the quality of life for all citizens. Besides promotion, the City continues to work on beautification of structures and spaces. In addition, the Stream Building is an innovative office complex located in downtown Newaygo. It is a multi-purpose facility with various working environments. It serves as a business incubator, coworking and remote work space, and a talent development center with staff focused on economic development. This facility will encourage economic growth for the community through education, job creation, and allowing people to remain in the community to work and recreate. These items will influence the need for housing and commercial property which will affect local property tax revenues.

Another factor influencing property tax revenues is Proposal A (1994). The statewide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because certain properties may increase in value by less than inflation, the result is that the City's total taxable value may grow less than inflation. In addition, almost the entire City is part of a TIFA district. This means that most of the tax revenue available to the General Fund for City operations is capped at a certain amount. This has been true since the formation of the TIFA District back in 1985. However, the Riverbank Project land on the west end of the City is not located in the TIFA district and if developed will bring more revenue to the General Fund.

### *State Shared Revenues*

State shared revenues are based on sales tax revenues. This revenue source saw an increase due to a population increase of the City upon completion of the 2010 census. As the economy recovers, these revenues should increase. Management continues to monitor this situation and the affect any changes will have on the City's budget. Currently, State shared sales tax revenues represent approximately 15% of total General Fund revenues. Over the past three years, revenues have increased approximately 2% each year. In fiscal year 2015-16 there was not an increase. In fiscal year 2016-17, the City expects this revenue to stay level or increase slightly as the economy recovers in the State of Michigan.

### *Street Funds*

The State of Michigan also returns to the City a share of gasoline tax revenues to help fund maintenance and construction of major and local streets in the City. The current formula is largely based off of gallons of fuel used. Fuel usage is expected to decline as newer vehicles are more fuel efficient. However the State of Michigan passed new funding that will bring an increase in road funding starting January 2017. During 2016-17, sidewalks may be added to some streets and repaired on others. Several roads will be repaired using "chip sealing" or paving. These projects are expected to be paid for primarily with TIFA funds, since funding received from state fuel tax is not adequate enough to cover the costs of major repairs or new construction.

### *Water and Sewer Fees*

The City continues to make improvements in equipment and infrastructure to reduce costs and improve efficiency to prolong the life of the water and sewer systems and reduce the overall burden to users of the system.

In 2017 repairs will need to be made to the WWTP to replace lagoon liners that have reached the end of their life. Other repairs and upgrades are anticipated for the wastewater system as well. The total project is expected to cost approximately \$2.5 – 3.0 million. The City is exploring funding options including grants in order to mitigate project costs that would be borne by current and future users of the system.

### *Miscellaneous*

The City is doing a number of things to exercise good fiscal responsibility. The City operates various maintenance or replacement programs for vehicles, heavy machinery and office equipment in order to keep maintenance expenses down and to eliminate large capital outlays for wide spread replacements. Lastly, the City recognizes the value of its employees and the need for good, well trained, professional people that exhibit leadership and a positive attitude. With this in mind the City has increased its focus on training, safety, risk management, and people skills. This focus has led to greater operational efficiencies that allows the City to provide quality services with less personnel.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designated to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Office at 28 State Road, PO Box 308, Newaygo, Michigan 49337 or call (231) 652-1657 or visit the City website at [www.newaygocity.org](http://www.newaygocity.org).

City of Newaygo  
**STATEMENT OF NET POSITION**  
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
<b>ASSETS</b>				
Current assets				
Cash and investments	\$ 1,291,587	\$ 503,617	\$ 1,795,204	\$ 779,929
Receivables	12,887	115,426	128,313	891
Due from other governmental units	102,802	-	102,802	3,772
Internal balances	(47,733)	47,733	-	-
Inventories	-	31,556	31,556	-
Total current assets	<u>1,359,543</u>	<u>698,332</u>	<u>2,057,875</u>	<u>784,592</u>
Noncurrent assets				
Restricted cash and investments	-	425,331	425,331	1,338
Special assessments receivable	39,991	-	39,991	-
Capital assets, net				
Nondepreciable	541,824	429,500	971,324	145,733
Depreciable	3,875,969	9,308,879	13,184,848	3,204,276
Total noncurrent assets	<u>4,457,784</u>	<u>10,163,710</u>	<u>14,621,494</u>	<u>3,351,347</u>
Total assets	<u>5,817,327</u>	<u>10,862,042</u>	<u>16,679,369</u>	<u>4,135,939</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued liabilities	24,551	70,701	95,252	30,420
Bonds and other obligations, due within one year	44,666	120,249	164,915	459,773
Total current liabilities	<u>69,217</u>	<u>190,950</u>	<u>260,167</u>	<u>490,193</u>
Noncurrent liabilities				
Bonds and other obligations, less amounts due within one year	74,757	5,273,000	5,347,757	2,668,358
Total liabilities	<u>143,974</u>	<u>5,463,950</u>	<u>5,607,924</u>	<u>3,158,551</u>
<b>NET POSITION</b>				
Net investment in capital assets	4,348,127	4,371,379	8,719,506	221,878
Restricted				
Streets and highways	433,812	-	433,812	-
Debt service	58,266	128,677	186,943	-
Capital projects	-	228,321	228,321	-
Shopping district	27,906	-	27,906	-
Building inspections	10,064	-	10,064	-
Unrestricted	795,178	669,715	1,464,893	755,510
Total net position	<u>\$ 5,673,353</u>	<u>\$ 5,398,092</u>	<u>\$ 11,071,445</u>	<u>\$ 977,388</u>

The accompanying notes are an integral part of this statement.

City of Newaygo  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2016

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 334,901	\$ 114,273	\$ -	\$ -	\$ (220,628)	\$ -	\$ (220,628)	\$ -
Public safety	421,953	27,124	7,599	-	(387,230)	-	(387,230)	-
Public works	820,740	157,941	228,426	295,246	(139,127)	-	(139,127)	-
Community and economic development	24,979	23,874	-	-	(1,105)	-	(1,105)	-
Culture and recreation	123,592	-	-	-	(123,592)	-	(123,592)	-
Interest on long-term debt	2,629	-	-	-	(2,629)	-	(2,629)	-
Total governmental activities	1,728,794	323,212	236,025	295,246	(874,311)	-	(874,311)	-
Business-type activities								
Sewer	584,860	489,033	-	-	-	(95,827)	(95,827)	-
Water	631,503	598,324	-	-	-	(33,179)	(33,179)	-
Total business-type activities	1,216,363	1,087,357	-	-	-	(129,006)	(129,006)	-
Total primary government	<b>\$ 2,945,157</b>	<b>\$ 1,410,569</b>	<b>\$ 236,025</b>	<b>\$ 295,246</b>	(874,311)	(129,006)	(1,003,317)	-
Component units								
Tax Increment Finance Authority	\$ 1,948,172	\$ 62,505	\$ -	\$ -	-	-	-	(1,885,667)
Local Development Finance Authority	161,593	-	-	-	-	-	-	(161,593)
Total component units	<b>\$ 2,109,765</b>	<b>\$ 62,505</b>	<b>\$ -</b>	<b>\$ -</b>	-	-	-	(2,047,260)
General revenues								
Property taxes					286,707	-	286,707	1,956,360
Franchise fees					18,808	-	18,808	-
Grants and contributions not restricted to specific programs					469,595	-	469,595	-
Unrestricted investment earnings					12,180	419	12,599	512
Gain on sale of capital assets					24,526	-	24,526	-
Miscellaneous					67,923	-	67,923	-
Total general revenues					879,739	419	880,158	1,956,872
Change in net position					5,428	(128,587)	(123,159)	(90,388)
Net position at July 1, 2015					5,667,925	5,526,679	11,194,604	1,067,776
Net position at June 30, 2016					<b>\$ 5,673,353</b>	<b>\$ 5,398,092</b>	<b>\$ 11,071,445</b>	<b>\$ 977,388</b>

The accompanying notes are an integral part of this statement.



City of Newaygo  
**BALANCE SHEET**  
 Governmental Funds  
 June 30, 2016

	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 532,536	\$ 300,904	\$ 167,094	\$ 1,000,534
Receivables				
Accounts	12,887	-	-	12,887
Special assessments	-	-	39,991	39,991
Due from other governmental units	63,109	29,380	10,313	102,802
Total assets	<b>\$ 608,532</b>	<b>\$ 330,284</b>	<b>\$ 217,398</b>	<b>\$ 1,156,214</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 17,265	\$ 2,156	\$ 2,902	\$ 22,323
Accrued liabilities	319	-	-	319
Total liabilities	17,584	2,156	2,902	22,642
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues - special assessments	-	-	11,991	11,991
<b>FUND BALANCES</b>				
Restricted				
Streets and highways	-	328,128	105,684	433,812
Debt service	-	-	58,851	58,851
Shopping district	-	-	27,906	27,906
Building inspection	-	-	10,064	10,064
Unassigned	590,948	-	-	590,948
Total fund balances	590,948	328,128	202,505	1,121,581
Total liabilities, deferred inflows of resources and fund balances	<b>\$ 608,532</b>	<b>\$ 330,284</b>	<b>\$ 217,398</b>	<b>\$ 1,156,214</b>

The accompanying notes are an integral part of this statement.

City of Newaygo  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION**  
 June 30, 2016

Total fund balances—governmental funds		\$ 1,121,581
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Cost of capital assets	\$ 11,640,794	
Accumulated depreciation	<u>(7,501,478)</u>	4,139,316
Other long-term assets, such as special assessments receivable, are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the governmental funds.		
		11,991
Long-term liabilities in governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Accrued interest payable	(585)	
Bonds and notes payable	(65,000)	
Compensated absences	<u>(49,757)</u>	(115,342)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are reported with the governmental activities in the Statement of Net Position.		
Net position of the internal service funds	563,540	
Internal balances representing the cumulative difference between actual costs and amounts charged to business-type activities	<u>(47,733)</u>	<u>515,807</u>
Net position of governmental activities		<u><u>\$ 5,673,353</u></u>

The accompanying notes are an integral part of this statement.

City of Newaygo  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
 Governmental Funds  
 For the year ended June 30, 2016

	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 286,707	\$ -	\$ -	\$ 286,707
Licenses and permits	22,155	-	-	22,155
Intergovernmental revenues				
State	176,714	168,838	69,387	414,939
Local	300,329	90,000	-	390,329
Charges for services	221,294	-	62,113	283,407
Fines and forfeitures	15,369	-	-	15,369
Investment earnings	9,413	-	2,767	12,180
Other	108,986	-	20,642	129,628
Total revenues	1,140,967	258,838	154,909	1,554,714
<b>EXPENDITURES</b>				
Current				
General government	418,198	-	-	418,198
Public safety	419,760	-	-	419,760
Public works	243,815	125,864	105,019	474,698
Community and economic development	439	-	22,191	22,630
Culture and recreation	92,096	-	-	92,096
Other governmental functions	31,631	-	-	31,631
Debt service				
Principal	-	-	30,000	30,000
Interest and fees	-	-	3,169	3,169
Capital outlay	19,600	-	-	19,600
Total expenditures	1,225,539	125,864	160,379	1,511,782
Excess of revenues over (under) expenditures	(84,572)	132,974	(5,470)	42,932
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	14,000	14,000
Transfers out	(4,000)	(10,000)	-	(14,000)
Total other financing sources (uses)	(4,000)	(10,000)	14,000	-
Net change in fund balances	(88,572)	122,974	8,530	42,932
Fund balances at July 1, 2015	679,520	205,154	193,975	1,078,649
Fund balances at June 30, 2016	<b>\$ 590,948</b>	<b>\$ 328,128</b>	<b>\$ 202,505</b>	<b>\$ 1,121,581</b>

The accompanying notes are an integral part of this statement.

City of Newaygo  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
 For the year ended June 30, 2016

Net change in fund balances—total governmental funds \$ 42,932

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	\$(483,263)	
Capital outlay	<u>165,165</u>	(318,098)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) on net position

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the remaining undepreciated cost of the capital asset sold.	(10,726)
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Donations of capital assets increase net position in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources.	205,246
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Revenues reported in the Statements of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(20,663)
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The issuance of long-term debt provides current financial resources to governmental funds, but increases liabilities in the Statement of Net Position. Repayment of debt is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position.

Repayment of principal on long-term debt	30,000
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Changes in accrual of interest and amortization of premiums and discounts	
Change in accrued interest payable	540

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in compensated absences	(6,685)
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The internal service fund is used by management to charge the costs of equipment used to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities.

Change in net position of the internal service fund	99,409	
Change in internal balances representing the current year difference between actual costs and amounts charged to business-type activities	<u>(16,527)</u>	<u>82,882</u>

Change in net position of governmental activities	<u>\$ 5,428</u>
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The accompanying notes are an integral part of this statement.

City of Newaygo  
**STATEMENT OF NET POSITION**  
Proprietary Funds  
June 30, 2016

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Fund</b>
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>	
<b>ASSETS</b>				
Current assets				
Cash and investments	\$ 257,408	\$ 246,209	\$ 503,617	\$ 291,053
Accounts receivable	48,327	67,099	115,426	-
Inventories	2,891	28,665	31,556	-
Total current assets	308,626	341,973	650,599	291,053
Noncurrent assets				
Restricted cash and investments	166,392	258,939	425,331	-
Capital assets				
Land	429,500	-	429,500	-
Utility systems	7,411,379	8,036,760	15,448,139	-
Vehicles and equipment	172,022	94,346	266,368	812,964
Less accumulated depreciation	(3,903,004)	(2,502,624)	(6,405,628)	(534,487)
Net capital assets	4,109,897	5,628,482	9,738,379	278,477
Total noncurrent assets	4,276,289	5,887,421	10,163,710	278,477
Total assets	4,584,915	6,229,394	10,814,309	569,530
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	2,240	129	2,369	1,324
Accrued liabilities	19,745	48,587	68,332	-
Bonds and other obligations, due within one year	32,529	87,720	120,249	4,666
Total current liabilities	54,514	136,436	190,950	5,990
Noncurrent liabilities				
Bonds and other obligations, less amounts due within one year	1,105,000	4,168,000	5,273,000	-
Total liabilities	1,159,514	4,304,436	5,463,950	5,990
<b>NET POSITION</b>				
Net investment in capital assets	2,984,897	1,386,482	4,371,379	273,811
Restricted				
Debt service	55,219	73,458	128,677	-
Capital projects	91,428	136,893	228,321	-
Unrestricted	293,857	328,125	621,982	289,729
Total net position	<b>\$ 3,425,401</b>	<b>\$ 1,924,958</b>	5,350,359	<b>\$ 563,540</b>
Adjustment to report the cumulative internal balances for the net effect of the activity between the internal service fund and the enterprise funds over time			47,733	
Net position of business type activities			<b>\$ 5,398,092</b>	

The accompanying notes are an integral part of this statement.

City of Newaygo  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
Proprietary Funds  
For the year ended June 30, 2016

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Fund</b>
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 447,939	\$ 566,773	\$ 1,014,712	\$ 219,847
<b>OPERATING EXPENSES</b>				
Administration	115,353	124,790	240,143	-
Operations	219,909	209,745	429,654	108,552
Depreciation	209,087	189,385	398,472	47,138
Total operating expenses	<u>544,349</u>	<u>523,920</u>	<u>1,068,269</u>	<u>155,690</u>
Operating income (loss)	(96,410)	42,853	(53,557)	64,157
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings	176	243	419	-
Connection fees	41,094	31,551	72,645	-
Gain on sale of capital assets	-	-	-	35,252
Interest expense	(47,703)	(116,918)	(164,621)	-
Total nonoperating revenue (expenses)	<u>(6,433)</u>	<u>(85,124)</u>	<u>(91,557)</u>	<u>35,252</u>
Change in net position	(102,843)	(42,271)	(145,114)	99,409
Net position at July 1, 2015	<u>3,528,244</u>	<u>1,967,229</u>		<u>464,131</u>
Net position at June 30, 2016	<u><b>\$ 3,425,401</b></u>	<u><b>\$ 1,924,958</b></u>		<u><b>\$ 563,540</b></u>
Adjustment for the net effect of the current year activities between the internal service fund and the enterprise funds			<u>16,527</u>	
Change in net position of business-type activities			<u><b>\$ (128,587)</b></u>	

The accompanying notes are an integral part of this statement.

City of Newaygo  
**STATEMENT OF CASH FLOWS**  
Proprietary Funds  
For the year ended June 30, 2016

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>	<b>Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 442,917	\$ 555,561	\$ 998,478	\$ -
Receipts from interfund services provided	2,337	7,534	9,871	219,847
Payments to suppliers	(127,984)	(99,063)	(227,047)	(100,086)
Payments to employees	(169,393)	(188,080)	(357,473)	(10,150)
Payment for interfund services used	(38,118)	(48,191)	(86,309)	-
Net cash provided by operating activities	109,759	227,761	337,520	109,611
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	-	-	-	(164,971)
Connection fees	19,634	16,011	35,645	-
Principal paid on capital debt	(19,000)	(72,000)	(91,000)	(4,744)
Interest paid on capital debt	(48,216)	(118,180)	(166,396)	-
Proceeds from sale of capital assets	-	-	-	73,604
Net cash used for capital and related financing activities	(47,582)	(174,169)	(221,751)	(96,111)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Investment earnings	176	243	419	-
Net increase in cash and investments	62,353	53,835	116,188	13,500
Cash and investments at July 1, 2015	361,447	451,313	812,760	277,553
Cash and investments at June 30, 2016	<b>\$ 423,800</b>	<b>\$ 505,148</b>	<b>\$ 928,948</b>	<b>\$ 291,053</b>
Reconciliation of cash and investments to the Statement of Net Position				
Cash and investments	\$ 257,408	\$ 246,209	\$ 503,617	\$ 291,053
Restricted cash and investments	166,392	258,939	425,331	-
	<b>\$ 423,800</b>	<b>\$ 505,148</b>	<b>\$ 928,948</b>	<b>\$ 291,053</b>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (96,410)	\$ 42,853	\$ (53,557)	\$ 64,157
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation expense	209,087	189,385	398,472	47,138
Change in assets and liabilities				
Accounts receivable	(2,685)	(3,678)	(6,363)	-
Accounts payable	(1,352)	(2,109)	(3,461)	(1,684)
Accrued liabilities	1,119	1,310	2,429	-
Net cash provided by operating activities	<b>\$ 109,759</b>	<b>\$ 227,761</b>	<b>\$ 337,520</b>	<b>\$ 109,611</b>

The accompanying notes are an integral part of this statement.

City of Newaygo  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
 Fiduciary Funds  
 June 30, 2016

	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and investments	\$ 26,293
Total assets	<b>\$ 26,293</b>
 <b>LIABILITIES</b>	
Due to other governmental units	\$ 1,285
Deposits held for others	25,008
Total liabilities	<b>\$ 26,293</b>

The accompanying notes are an integral part of this statement.



City of Newaygo  
**STATEMENT NET POSITION**  
Discretely Presented Component Units  
June 30, 2016

	<b>Tax Increment Finance Authority</b>	<b>Local Development Finance Authority</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets			
Cash and investments	\$ 618,857	\$ 161,072	\$ 779,929
Receivables	891	-	891
Due from other governmental units	3,772	-	3,772
Total current assets	623,520	161,072	784,592
Noncurrent assets			
Restricted cash and investments	1,338	-	1,338
Capital assets, net			
Nondepreciable	145,733	-	145,733
Depreciable	3,204,276	-	3,204,276
Net capital assets	3,350,009	-	3,350,009
Total noncurrent assets	3,351,347	-	3,351,347
Total assets	3,974,867	161,072	4,135,939
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	30,420	-	30,420
Bonds and other obligations, due within one year	459,773	-	459,773
Total current liabilities	490,193	-	490,193
Noncurrent liabilities			
Bonds and other obligations, less amounts due within one year	2,668,358	-	2,668,358
Total liabilities	3,158,551	-	3,158,551
<b>NET POSITION</b>			
Net investment in capital assets	221,878	-	221,878
Unrestricted	594,438	161,072	755,510
Total net position	<b>\$ 816,316</b>	<b>\$ 161,072</b>	<b>\$ 977,388</b>

The accompanying notes are an integral part of this statement.

City of Newaygo  
**STATEMENT OF ACTIVITIES**  
Discretely Presented Component Units  
For the year ended June 30, 2016

<u>Functions/Programs</u>	<b>Net (Expense) Revenue and Changes in Net Position</b>				
	<u>Expenses</u>	<u>Program Revenue Charges for Services</u>	<u>Tax Increment Finance Authority</u>	<u>Local Development Finance Authority</u>	<u>Total</u>
Tax Increment Finance Authority					
General government	\$ 138,649	\$ -	\$ (138,649)	\$ -	\$ (138,649)
Public works	276,834	-	(276,834)	-	(276,834)
Community and economic development	951,359	62,505	(888,854)	-	(888,854)
Distributions to other taxing authorities	453,247	-	(453,247)	-	(453,247)
Interest on long-term debt	128,083	-	(128,083)	-	(128,083)
Total Tax Increment Finance Authority	1,948,172	62,505	(1,885,667)	-	(1,885,667)
Local Development Finance Authority					
General government	10,000	-	-	(10,000)	(10,000)
Community and economic development	44,347	-	-	(44,347)	(44,347)
Distributions to other taxing authorities	107,246	-	-	(107,246)	(107,246)
Total Local Development Finance Authority	161,593	-	-	(161,593)	(161,593)
Total discretely presented component units	<b>\$ 2,109,765</b>	<b>\$ 62,505</b>	(1,885,667)	(161,593)	(2,047,260)
General revenues					
Property taxes			1,719,885	236,475	1,956,360
Unrestricted investment earnings			512	-	512
Total general revenues			1,720,397	236,475	1,956,872
Change in net position			(165,270)	74,882	(90,388)
Net position at July 1, 2015			981,586	86,190	1,067,776
Net position at June 30, 2016			<b>\$ 816,316</b>	<b>\$ 161,072</b>	<b>\$ 977,388</b>

The accompanying notes are an integral part of this statement.

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Newaygo (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**Reporting Entity**

The City is a municipal corporation governed by an elected six member City Council with an elected mayor and is administered by a City Manager appointed by the City Council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

***Discretely Presented Component Unit***

*Local Development Finance Authority (LDFA).* The LDFA's purpose is the collection of tax increment revenues, the issuance and repayment of debt and the construction of public facilities to promote and facilitate economic growth in the LDFA's boundaries. Board members of the LDFA are appointed by the City Council, but the LDFA operates as a separate entity. The LDFA can authorize and issue debt independent from the City. The LDFA is presented as a governmental fund type.

*Tax Increment Finance Authority (TIFA).* The TIFA's purpose is the collection of tax increment revenues, the issuance and repayment of debt and the construction of public facilities to promote and facilitate economic growth in the TIFA's boundaries. Board members of the TIFA are appointed by the City Council, but the TIFA operates as a separate entity. The TIFA can authorize and issue debt independent from the City. The TIFA is presented as a governmental fund type.

**Basis of Presentation—Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. 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.

As discussed earlier, the City's discretely presented component units are reported in a separate column in the government-wide financial statements.

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Basis of Presentation—Government-wide and Fund Financial Statements—Continued**

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the inter-fund services provided and other charges between the City's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Streets Fund accounts for money distributed by the State of Michigan for construction and maintenance of major streets within the City.

The City reports the following major enterprise funds:

The Sewer Fund operates the City's sewer system.

The Water Fund operates the City's water distribution system.

Additionally, the City reports the following fund types:

The Internal Service Fund accounts for equipment management services provided to other funds of the government on a cost reimbursement basis.

The agency funds are custodial in nature and used to account for assets held by the City as agent for another organizations or individuals.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Basis of Presentation—Government-wide and Fund Financial Statements—Continued**

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

***Cash and Investments***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the City are reported at fair value (generally based on quoted market prices).

The City has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the City to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

The component unit's cash and investments are maintained within the City's investment pool.

***Inventories and Prepaid Items***

All inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of such inventories is recorded as expenses when consumed rather than when purchased in the business-type activities.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

***Restricted Assets***

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

***Capital Assets***

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 column 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 two years.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost of the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year).

As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2016

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued**

***Capital Assets—Continued***

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Years</u>
Land improvements	10-20
Buildings and improvements	10-35
Furniture, vehicles and equipment	5-10
Infrastructure and shared improvements	10-50

***Deferred Outflows/Inflows of Resources***

In addition to assets, the Statement of Net 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/expenditures) until then.

In addition to liabilities, the Statement of Net 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.

***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 of net position to report as restricted and unrestricted 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 City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

***Fund Balance Flow Assumptions***

Sometimes the City 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 City'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.

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued**

***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. The City itself can establish limitation 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 City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by formal action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by formal action remains in place until a similar action is taken (another formal action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the city manager to assign fund balance. The City Council 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.

**Revenues and Expenditures/Expenses**

***Program Revenues***

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

***Property Taxes***

All trade and property tax receivables are shown net of allowance for uncollectibles.

The City bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied and lien on July 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollected real property taxes as of the following March 1 are turned over by the City to the County for collection. The County advances the City all of these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the City. The City recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).



City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Revenues and Expenditures/Expenses—Continued**

***Property Taxes—Continued***

The 2015 state taxable value for real/personal property of the City totaled approximately \$61,000,000 of which approximately \$48,700,000 was captured by the component units. The ad valorem taxes levied consisted of 17.75 mills for the City's operating purposes. This amount is recognized in the General Fund with the capture amounts shown in the TIFA and LDFA component units.

***Compensated Absences***

City employees are granted vacation and sick leave in varying amounts based on length of service. Any vacation which has not been used during the calendar year will be transferred to the employee's paid sick days accumulation at the end of the year. Upon termination, employees are paid for one-half of their accrued sick days as separation pay. If an employee dies, the full amount of accrued sick days will be paid to the employee's designated beneficiary. Sick leave is accumulated at the rate of one day per month of employment. Employees may accrue unused sick days up to a maximum of 156 hours. On the last day of November of any calendar year, employees may elect to be paid for one-half of the unused sick days which they accumulated during the year (up to a maximum payment of six days).

The liability for these compensated absences is accrued when incurred in the government-wide and proprietary fund financial statements. The current portion of this liability is estimated based on historical trends. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

***Proprietary Funds Operating and Nonoperating Revenues and Expenses***

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 are charges to customers for sales and services. The enterprise 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 for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level.

Appropriations in all budget funds lapse at the end of the fiscal year.

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2016

**NOTE C—DEPOSITS AND INVESTMENTS**

**Deposits and Investment Risks**

***Interest Rate Risk***

The City's formal investment policy limits investment maturities to two years or less based upon the type of investment.

***Credit Risk***

State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices.

***Concentration of Credit Risk***

The City does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the City investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

***Custodial Credit Risk - Deposits***

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2016, \$2,607,855 of the City's bank balance of \$3,076,496 was exposed to custodial credit risk because it was uninsured and uncollateralized.

***Custodial Credit Risk - Investments***

The City does not have a custodial credit risk policy for investments. This 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.

***Foreign Currency Risk***

The City is not authorized to invest in investments which have this type of risk.

**Restricted Assets**

Restrictions are placed on assets by bond ordinance and City Council action. At June 30, 2016, cash and investments in the enterprise funds and TIFA component unit are restricted as follows:

**Business-type activities**

Water Fund

Bond and interest redemption	\$ 122,046
Repair and replacement	136,893
	258,939

Sewer Fund

Bond reserve	74,964
Repair and replacement	91,428
	166,392

**\$ 425,331**

**Component units**

TIFA

Bond interest and redemption	\$ 1,338
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City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2016

**NOTE C—DEPOSITS AND INVESTMENTS—Continued**

**Restricted Assets—Continued**

After meeting the operation and maintenance and bond and interest redemption requirements of the bond ordinances, all remaining revenues of the system are to be paid to the bond reserve accounts until a sum equal to the maximum annual debt service requirement on the bonds has been accumulated. These amounts were achieved, as required.

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016 was as follows:

	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2016</b>
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 397,298	\$ 144,526	\$ -	\$ 541,824
Construction in progress	4,750	-	4,750	-
Total capital assets, not being depreciated	402,048	144,526	4,750	541,824
<b>Capital assets, being depreciated:</b>				
Land improvements	1,492,052	-	-	1,492,052
Buildings and improvements	1,517,564	19,600	-	1,537,164
Furniture, vehicles and equipment	1,109,341	164,971	142,888	1,131,424
Infrastructure	5,715,675	211,035	-	5,926,710
Shared improvements	1,824,584	-	-	1,824,584
Total capital assets, being depreciated	11,659,216	395,606	142,888	11,911,934
<b>Less accumulated depreciation:</b>				
Land improvements	1,003,378	58,533	-	1,061,911
Buildings and improvements	758,583	44,924	-	803,507
Furniture, vehicles and equipment	769,467	62,987	93,809	738,645
Infrastructure	3,770,306	242,317	-	4,012,623
Shared improvements	1,297,640	121,639	-	1,419,279
Total accumulated depreciation	7,599,374	530,400	93,809	8,035,965
Total capital assets, being depreciated, net	4,059,842	(134,794)	49,079	3,875,969
Capital assets, net	<b>\$ 4,461,890</b>	<b>\$ 9,732</b>	<b>\$ 53,829</b>	<b>\$ 4,417,793</b>

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE D—CAPITAL ASSETS—Continued**

	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2016</b>
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 429,500	\$ -	\$ -	\$ 429,500
<b>Capital assets, being depreciated:</b>				
Sewer system	7,411,379	-	-	7,411,379
Water system	8,036,760	-	-	8,036,760
Equipment	266,368	-	-	266,368
Total capital assets, being depreciated	15,714,507	-	-	15,714,507
<b>Less accumulated depreciation:</b>				
Sewer system	3,521,894	209,086	-	3,730,980
Water system	2,225,050	187,879	-	2,412,929
Equipment	260,212	1,507	-	261,719
Total accumulated depreciation	6,007,156	398,472	-	6,405,628
Total capital assets, being depreciated, net	9,707,351	(398,472)	-	9,308,879
Capital assets, net	<b>\$ 10,136,851</b>	<b>\$ (398,472)</b>	<b>\$ -</b>	<b>\$ 9,738,379</b>

**Depreciation**

Depreciation expense has been charged to functions as follows:

**Governmental activities:**

General government	\$ 28,214
Public safety	6,197
Public works	411,536
Culture and recreation	37,315
Internal Service Fund depreciation is charged to the various programs based on their usage of the assets	47,138
	<b>\$ 530,400</b>

**Business-type activities:**

Sewer	\$ 209,087
Water	189,385
	<b>\$ 398,472</b>

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2016

**NOTE D—CAPITAL ASSETS—Continued**

	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2016</b>
<b>Component units:</b>				
<b>Capital assets, not being depreciated:</b>				
Tax Increment Finance Authority				
Land	\$ 188,425	\$ -	\$ 42,692	\$ 145,733
<b>Capital assets, being depreciated:</b>				
Tax Increment Finance Authority				
Building and improvements	9,632,749	8,905	-	9,641,654
<b>Less accumulated depreciation:</b>				
Tax Increment Finance Authority				
Buildings and improvements	5,808,714	628,664	-	6,437,378
Total capital assets, being depreciated, net	3,824,035	(619,759)	-	3,204,276
Capital assets, net	<b>\$ 4,012,460</b>	<b>\$ (619,759)</b>	<b>\$ 42,692</b>	<b>\$ 3,350,009</b>

**Depreciation**

Depreciation expense has been charged to functions as follows:

Community and economic development	<b>\$ 628,664</b>
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**NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of inter-fund transfers as of June 30, 2016 is as follows:

**Interfund transfers:**

	<b>Transfers in: Other Governmental Funds</b>
<b>Transfers out:</b>	
General Fund	\$ (4,000)
Major Streets Fund	(10,000)
Total	<b>\$ (14,000)</b>

The transfers were an operational subsidy.

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2016

**NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS—Continued**

**Component unit transactions:**

During the year the TIFA and LDFA contributed the following amounts to the City for the year ended June 30, 2016:

	<b>Governmental Activities</b>
<b>Capital activities</b>	
TIFA	\$ 205,246
<b>Operating activities</b>	
TIFA	220,000
LDFA	74,000
	<b>\$ 499,246</b>

**NOTE F—LONG-TERM DEBT**

**Summary of Changes in Long-Term Liabilities**

The following is a summary of long-term liabilities activity for the City for the year ended June 30, 2016:

	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2016</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
Special assessment bonds	\$ 95,000	\$ -	\$ 30,000	\$ 65,000	\$ 30,000
Capital leases	9,410	-	4,744	4,666	4,666
Compensated absences	43,072	47,629	40,944	49,757	10,000
Governmental activities long-term liabilities	<b>\$ 147,482</b>	<b>\$ 47,629</b>	<b>\$ 75,688</b>	<b>\$ 119,423</b>	<b>\$ 44,666</b>
<b>Business-type activities:</b>					
Revenue bonds	\$ 5,458,000	\$ -	\$ 91,000	\$ 5,367,000	\$ 94,000
Compensated absences	23,820	26,249	23,820	26,249	26,249
Business-type activities long-term liabilities	<b>\$ 5,481,820</b>	<b>\$ 26,249</b>	<b>\$ 114,820</b>	<b>\$ 5,393,249</b>	<b>\$ 120,249</b>
<b>Component units:</b>					
Tax Increment Bonds	\$ 3,764,657	\$ -	\$ 615,011	\$ 3,149,646	\$ 459,773
Discount	(23,109)	-	(1,594)	(21,515)	-
	<b>\$ 3,741,548</b>	<b>\$ -</b>	<b>\$ 613,417</b>	<b>\$ 3,128,131</b>	<b>\$ 459,773</b>

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2016

**NOTE F—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
<b>Governmental activities:</b>			
2003 Special Assessment Bonds	3.6%	April 2018	\$ 65,000
2014 Capital Lease	0%	June 2017	4,666
			<u><u>\$ 69,666</u></u>
<b>Business-type activities:</b>			
<b>Revenue bonds:</b>			
2003 Sanitary Sewer System Bonds	4.25%	August 2043	\$ 1,125,000
2003 Water Supply System Bonds	4.25%	August 2043	1,294,000
2013 Water Supply System Bonds	2.125%	August 2053	2,948,000
			<u><u>\$ 5,367,000</u></u>
<b>Component units:</b>			
<b>Limited tax development:</b>			
1994 Tax Increment Bonds (Series A) variable formula, currently	0.90%	March 2020	\$ 1,419,646
2010 Tax Increment Bonds	5.30-7%	October 2029	1,730,000
			<u><u>\$ 3,149,646</u></u>

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

The special assessment bonds are backed by the full faith and credit of the City.

The \$7,300,000 1994 Tax Increment Limited Obligation Bonds, Series A, which are held by the City of Newaygo Tax Increment Finance Authority, are guaranteed by Magna Mirrors of America Incorporated. If captured tax increment revenue associated with Magna Mirrors of America Incorporated's facility is insufficient to meet the bond's current payment requirements, Magna Mirrors of America Incorporated will cover any shortfalls.

The City was in compliance in all material respects with all the revenue bond ordinances at June 30, 2016.

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2016

**NOTE F—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

Annual debt service requirements to maturity for debt outstanding as of June 30, 2016 follow:

Year Ending June 30,	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 34,666	\$ 2,340	\$ 94,000	\$ 163,996	\$ 459,773	\$ 121,357
2018	35,000	1,260	97,000	161,033	507,505	113,567
2019	-	-	100,000	157,961	543,234	105,259
2020	-	-	104,000	154,775	259,134	96,267
2021	-	-	108,000	151,449	100,000	89,230
2022-2026	-	-	594,000	702,876	610,000	341,700
2027-2031	-	-	706,000	598,334	670,000	99,225
2032-2036	-	-	839,000	471,558	-	-
2037-2041	-	-	1,005,000	317,252	-	-
2042-2046	-	-	890,000	141,407	-	-
2047-2051	-	-	501,000	62,040	-	-
2052-2054	-	-	329,000	10,614	-	-
	<b>\$ 69,666</b>	<b>\$ 3,600</b>	<b>\$ 5,367,000</b>	<b>\$ 3,093,295</b>	<b>\$ 3,149,646</b>	<b>\$ 966,605</b>

**NOTE G—OTHER INFORMATION**

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City manages its liability and property risk by participating in the Michigan Municipal Liability and Property Pool (MMLPP), a public entity risk pool providing property and liability coverage to its participating members. The City pays an annual premium to MMLPP for its insurance coverage. The MMLPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The City manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Fund (MMWCF), a public entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to MMWCF for its workers' compensation coverage. The MMWCF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.



City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE G—OTHER INFORMATION—Continued**

**Risk Management—Continued**

The City carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Contingent Liabilities**

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

**Leases**

The \$7,300,000 1994 Tax Increment Limited Obligation Bonds were issued to construct a manufacturing facility for Magna Mirrors of America Incorporated. All captured tax increment revenues associated with this facility are to be used to repay the bonds issued to construct the facility. The Tax Increment Finance Authority retains ownership of the facility and leases the facility for \$1 per year to Magna Mirrors of America Incorporated for thirty years or until the bonds associated with its construction are retired. Magna Mirrors of America Incorporated is responsible for all operating and maintenance costs. Magna Mirrors of America Incorporated has an option to purchase the facility, upon retirement of the bond issue, for \$1.

**Jointly Governed Organizations**

The City, in conjunction with other governmental entities, created the Newaygo Community Recreation Authority (NCRA) to operate recreation programs in the area. The Authority is comprised of two members from each participating entity. The NCRA board annually assesses participating entities in projected amounts required to subsidize the Authorities' annual operations.

The City, in conjunction with other governmental entities, created the Newaygo Fire District Command Board to operate a community wide fire protection services. The District is governed by a seven member board and was incorporated under the provisions of MCLA #321 in Michigan for the purpose of providing fire protection and rescue services for the three participating municipalities. The Board annually assesses participating entities in projected amounts required to subsidize the annual operations.

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE H—PENSION PLANS**

**Defined Contribution Plans**

The City provides pension benefits for all of its full-time salaried employees through the City of Newaygo Administrative Plan (a defined contribution plan). In the defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Salaried employees, who have attained the age of 18, have completed ninety days of service shall be eligible to participate in the plan. The plan requires the City to contribute an amount equal to 8 percent of the employee's annual compensation each plan year and employees are required to contribute 2 percent of their annual compensation. Plan provisions and contribution requirements are established and may be amended by the City Council. The plan administrator is ICMA-Retirement Corporation. For fiscal year 2016, the City's total contribution was approximately \$29,200, and the employee contributions were approximately \$7,300.

The City provides pension benefits for all of its full-time hourly employees through the City of Newaygo Hourly Employees Retirement Plan (a defined contribution plan). In the defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Hourly employees, who have attained the age of 18, have completed ninety days of service shall be eligible to participate in the plan. The plan requires the City to contribute an amount equal to 8 percent of the employee's annual compensation each plan year and employees are required to contribute 2 percent of their annual compensation. Hourly employees are 20 percent vested in the City contributions and earnings allocated to the employee account for each year of service. Any forfeitures are reallocated to participants with the regular contribution. Plan provisions and contribution requirements are established and may be amended by the City Council. The plan administrator is ICMA-Retirement Corporation. For fiscal year 2016, the City's total contribution was approximately \$16,600, and the employee contributions were approximately \$8,100.

**Retirement Health Savings Account**

The City offers its employees a retirement health savings account which is a defined contribution plan administered by ICMA. The plan, available to all full time City employees, can only be used to fund health care costs during retirement. The plan requires that the City to contribute certain excess compensated absences amounts to the plan each year. For the year ended June 30, 2016, the City's contribution to the plan was approximately \$16,600.

**Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time City employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE I—ECONOMIC DEPENDENCY**

**General Fund**

The City's General Fund property tax revenue growth is limited due to the TIFA and LDFA, which capture property tax value increases. The General Fund's property tax value captured by the TIFA and LDFA is approximately 80 percent of the City's property tax value base. Property tax revenues represent approximately 25 percent of the General Fund's revenues.

**Tax Increment Finance Authority**

The TIFA has a significant economic dependency on a local corporation that is a major employer and taxpayer in the area. The TIFA receives approximately 30 percent of its property tax revenues from this company.

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Newaygo  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
General Fund  
For the year ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget- Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 292,200	\$ 286,200	\$ 286,707	\$ 507
Licenses and permits	21,700	22,700	22,155	(545)
Intergovernmental revenues				
State	176,100	176,100	176,714	614
Local	300,500	300,500	300,329	(171)
Charges for services	200,600	207,600	221,294	13,694
Fines and forfeitures	21,000	21,000	15,369	(5,631)
Investment earnings	6,000	6,000	9,413	3,413
Other	26,600	109,650	108,986	(664)
Total revenues	<u>1,044,700</u>	<u>1,129,750</u>	<u>1,140,967</u>	<u>11,217</u>
<b>EXPENDITURES</b>				
Current				
General government				
City Council	17,808	130,808	125,435	5,373
City manager	39,421	42,246	38,279	3,967
Elections	4,950	4,950	3,683	1,267
Board of review	1,275	1,275	1,194	81
Clerk	31,755	33,755	30,321	3,434
Treasurer	35,476	35,476	32,104	3,372
Assessor	17,100	29,700	29,374	326
Attorney	26,456	21,456	21,226	230
City offices	76,797	89,597	83,224	6,373
Cemetery	52,376	54,876	53,358	1,518
Public safety				
Law enforcement	388,360	423,289	419,760	3,529
Public works	209,882	252,882	243,815	9,067
Community and economic development				
Planning	1,750	1,750	439	1,311
Culture and recreation				
Parks	87,798	94,298	92,096	2,202
Other governmental functions	36,900	35,900	31,631	4,269
Capital outlay	19,000	19,000	19,600	(600)
Total expenditures	<u>1,047,104</u>	<u>1,271,258</u>	<u>1,225,539</u>	<u>45,719</u>
Excess of revenues over (under) expenditures	(2,404)	(141,508)	(84,572)	56,936
<b>OTHER FINANCING USES</b>				
Transfers out	(12,000)	(4,000)	(4,000)	-
Net change in fund balance	<u>\$ (14,404)</u>	<u>\$ (145,508)</u>	(88,572)	<u>\$ 56,936</u>
Fund balance at July 1, 2015			<u>679,520</u>	
Fund balance at June 30, 2016			<u>\$ 590,948</u>	

City of Newaygo  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
Major Streets Fund  
For the year ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenues				
State	\$ 141,500	\$ 158,000	\$ 168,838	\$ 10,838
Local	8,000	90,000	90,000	-
Charges for services	200	200	-	(200)
Investment earnings	500	500	-	(500)
	<hr/>			
Total revenues	150,200	248,700	258,838	10,138
<b>EXPENDITURES</b>				
Current				
Public works	139,986	161,240	125,864	35,376
	<hr/>			
Excess of revenues over expenditures	10,214	87,460	132,974	45,514
<b>OTHER FINANCING USES</b>				
Transfers out	(10,000)	(10,000)	(10,000)	-
	<hr/>			
Net change in fund balance	<u>\$ 214</u>	<u>\$ 77,460</u>	122,974	<u>\$ 45,514</u>
Fund balance at July 1, 2015			<u>205,154</u>	
Fund balance at June 30, 2016			<u>\$ 328,128</u>	

**OTHER SUPPLEMENTAL INFORMATION**

City of Newaygo  
**COMBINING BALANCE SHEET**  
 Other Governmental Funds  
 June 30, 2016

	<b>Total Other Governmental Funds</b>	<b>Special Revenue Funds</b>			<b>Debt Service Fund</b>
		<b>Local Streets</b>	<b>Principal Shopping District</b>	<b>Building Inspection</b>	<b>Downtown Parking Lot</b>
<b>ASSETS</b>					
Cash and investments	\$ 167,094	\$ 95,371	\$ 28,562	\$ 12,310	\$ 30,851
Special assessments receivable	39,991	-	-	-	39,991
Due from other governmental units	10,313	10,313	-	-	-
Total assets	<b>\$ 217,398</b>	<b>\$ 105,684</b>	<b>\$ 28,562</b>	<b>\$ 12,310</b>	<b>\$ 70,842</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 2,902	\$ -	\$ 656	\$ 2,246	\$ -
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues - special assessments	11,991	-	-	-	11,991
<b>FUND BALANCES</b>					
Restricted					
Streets and highways	105,684	105,684	-	-	-
Debt service	58,851	-	-	-	58,851
Shopping district	27,906	-	27,906	-	-
Building inspection	10,064	-	-	10,064	-
Total fund balances	202,505	105,684	27,906	10,064	58,851
Total liabilities and fund balances	<b>\$ 217,398</b>	<b>\$ 105,684</b>	<b>\$ 28,562</b>	<b>\$ 12,310</b>	<b>\$ 70,842</b>



City of Newaygo  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
 Other Governmental Funds  
 For the year ended June 30, 2016

	<b>Total Other Governmental Funds</b>	<b>Special Revenue Funds</b>			<b>Debt Service Fund</b>
		<b>Local Streets</b>	<b>Principal Shopping District</b>	<b>Building Inspection</b>	<b>Downtown Parking Lot</b>
<b>REVENUES</b>					
Intergovernmental revenues					
State	\$ 69,387	\$ 69,387	\$ -	\$ -	\$ -
Charges for services	62,113	-	38,239	23,874	-
Investment earnings	2,767	-	-	-	2,767
Other	20,642	-	-	-	20,642
Total revenues	154,909	69,387	38,239	23,874	23,409
<b>EXPENDITURES</b>					
Current					
Public works	105,019	68,770	36,249	-	-
Community and economic development	22,191	-	-	22,191	-
Debt service					
Principal	30,000	-	-	-	30,000
Interest and fees	3,169	-	-	-	3,169
Total expenditures	160,379	68,770	36,249	22,191	33,169
Excess of revenues over (under) expenditures	(5,470)	617	1,990	1,683	(9,760)
<b>OTHER FINANCING SOURCES</b>					
Transfers in	14,000	14,000	-	-	-
Net change in fund balances	8,530	14,617	1,990	1,683	(9,760)
Fund balances at July 1, 2015	193,975	91,067	25,916	8,381	68,611
Fund balances at June 30, 2016	<b>\$ 202,505</b>	<b>\$ 105,684</b>	<b>\$ 27,906</b>	<b>\$ 10,064</b>	<b>\$ 58,851</b>

City of Newaygo  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES**  
 Agency Funds  
 June 30, 2016

	<u>Total Agency Funds</u>	<u>Tax Collection</u>	<u>Joint Maintenance City/Library</u>	<u>Newaygo Community Recreation Authority</u>
<b>ASSETS</b>				
Cash and investments	\$ 26,293	\$ 1,285	\$ 6,000	\$ 19,008
Total assets	<b>\$ 26,293</b>	<b>\$ 1,285</b>	<b>\$ 6,000</b>	<b>\$ 19,008</b>
<b>LIABILITIES</b>				
Due to other governmental units	\$ 1,285	\$ 1,285	\$ -	\$ -
Deposits held for others	25,008	-	6,000	19,008
Total liabilities	<b>\$ 26,293</b>	<b>\$ 1,285</b>	<b>\$ 6,000</b>	<b>\$ 19,008</b>