

City of Newaygo
Newaygo County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

June 30, 2017



City of Newaygo

TABLE OF CONTENTS

Independent Auditor’s Report..... 1

Management’s Discussion and Analysis..... 3

Basic Financial Statements

 Government-wide Financial Statements

 Statement of Net Position..... 13

 Statement of Activities 14

 Fund Financial Statements

 Governmental Funds

 Balance Sheet 15

 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position 16

 Statement of Revenues, Expenditures and Changes
 in Fund Balances..... 17

 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of
 Activities 18

 Proprietary Funds

 Statement of Net Position..... 19

 Statement of Revenues, Expenses and Changes in Net Position 20

 Statement of Cash Flows..... 21

 Fiduciary Funds

 Statement of Fiduciary Assets and Liabilities..... 22

Component Units

 Statement of Net Position..... 23

 Statement of Activities 24

Notes to Financial Statements 25

Required Supplementary Information

 Budgetary Comparison Schedule—General Fund..... 43

 Budgetary Comparison Schedule—Major Streets Fund..... 44

Other Supplemental Information

 Other Governmental Funds

 Combining Balance Sheet 46

 Combining Statement of Revenues, Expenditures and Changes in
 Fund Balances 47

 Combining Statement of Assets and Liabilities—Agency Funds..... 48

INDEPENDENT AUDITOR'S REPORT

October 23, 2017

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, 2017, 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, 2017, 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
October 23, 2017
Page 2

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 October 23, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Newaygo’s 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, 2017. 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, 2017 include the following:

- The City completed various paving and chip sealing projects on several streets during the year for approximately \$188,000.
- The City completed a new sidewalk project on Division St at a cost of approximately \$152,000 and purchased the property of 77 Wood St for approximately \$62,000.
- Some vehicles and equipment were purchased totaling approximately \$93,000. Some used or obsolete equipment was sold. Proceeds from the sales totaled approximately \$54,000.
- The General Fund fund balance decreased by approximately \$57,000 for the year mostly due to purchase of 77 Wood St 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, 2017, the City's net position from governmental activities totaled approximately \$5,544,000 and \$5,238,000 from business-type activities, creating a total government-wide net position total of approximately \$10,782,000.

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 \$4,302,000. Restricted net position, those restricted mainly for streets and highways, debt service, and capital projects were approximately \$478,000. The unrestricted net position for governmental-type activities is approximately \$764,000. 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 decreased due to a decrease in cash reserves. Capital assets decreased by approximately \$80,000 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. 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	
	2017	2016	2017	2016	2017	2016
Current assets and other assets	\$ 1,323	\$ 1,400	\$ 1,244	\$ 1,124	\$ 2,567	\$ 2,524
Capital assets	4,337	4,417	9,394	9,738	13,731	14,155
Total assets	5,660	5,817	10,638	10,862	16,298	16,679
Current liabilities	82	69	224	191	306	260
Noncurrent liabilities	34	75	5,176	5,273	5,210	5,348
Total liabilities	116	144	5,400	5,464	5,516	5,608
Net position						
Net investment in capital assets	4,302	4,348	4,121	4,371	8,423	8,719
Restricted	478	530	400	357	878	887
Unrestricted	764	795	717	670	1,481	1,465
Total net position	<u>\$ 5,544</u>	<u>\$ 5,673</u>	<u>\$ 5,238</u>	<u>\$ 5,398</u>	<u>\$ 10,782</u>	<u>\$ 11,071</u>

Change in Net Position

Governmental Activities

Regarding revenues, charges for services decreased due to less crushed concrete sold compared to prior year. Capital grants and contributions decreased primarily due to a smaller contribution from TIFA for a sidewalk project on Division St.

Regarding expenses, public safety increased due to more personnel expenses. Public works decreased due to lack of cost of crushing concrete.

Business-Type Activities

Regarding revenues, charges for services increased due to more water and sewer sales.

Regarding expenses, sewer expenses increased due to more engineering costs for needed repairs to WWTP, and legal expenses regarding a Consent Order proposed by MI Dept of Environmental Quality. Water expenses increased minimally.

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	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues						
Charges for services	\$ 225	\$ 323	\$ 1,093	\$ 1,087	\$ 1,318	\$ 1,410
Operating grants and contributions	238	236	-	-	238	236
Capital grants and contributions	235	295	-	-	235	295
General revenues						
Property taxes	285	287	-	-	285	287
Franchise fees	19	19	-	-	19	19
Grants and contributions not restricted	495	470	-	-	495	470
Unrestricted investment earnings	9	12	2	1	11	13
Other	81	92	-	-	81	92
Total revenues	1,587	1,734	1,095	1,088	2,682	2,822
Expenses:						
General government	331	335	-	-	331	335
Public safety	431	422	-	-	431	422
Public works	793	821	-	-	793	821
Community and economic development	23	25	-	-	23	25
Culture and recreation	136	123	-	-	136	123
Interest on long term debt	2	3	-	-	2	3
Sewer	-	-	613	585	613	585
Water	-	-	642	632	642	632
Total expenses	1,716	1,729	1,255	1,217	2,971	2,946
Change in net position	(129)	5	(160)	(129)	(289)	(124)
Net position - Beginning	5,673	5,668	5,398	5,527	11,071	11,195
Net position - Ending	<u>\$ 5,544</u>	<u>\$ 5,673</u>	<u>\$ 5,238</u>	<u>\$ 5,398</u>	<u>\$ 10,782</u>	<u>\$ 11,071</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, 2017, the City governmental funds reported a combined fund balance of \$1,012,345. This number represents the fund balance of \$534,100 in the General Fund and \$478,245 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 \$56,848.

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, 2017, unrestricted net position of the Sewer Fund and Water Fund were \$315,069 and \$346,135, 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 increased in net position. TIFA assisted with a sidewalk project on Division street. TIFA also continued to assist the City with other various 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 \$458,179 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 a purchase of a property on Wood St, increased expenses due to tax tribunal cases, and more personnel expenses in the police dept.

The final amended budget to actual showed some budget variances. Regarding revenues, intergovernmental revenues received more than expected revenue due to larger disbursements from the State. Other revenue was down due to lower sales of crushed concrete. Regarding expenses, city office expense was under budget due to less than anticipated part-time wages. Law enforcement was under budget due to total wages being lower than anticipated. Public works was under budget primarily due to less than anticipated wages and equipment expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the City had \$13,731,099, 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 \$425,073 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 (\$188,000), and purchase of vehicles and equipment (\$93,000).

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 605,572	\$ 541,824	\$ 429,500	\$ 429,500	\$ 1,035,072	\$ 971,324
Land improvements	421,594	430,141	-	-	421,594	430,141
Building and improvements	688,243	733,657	-	-	688,243	733,657
Furniture, vehicles and equipment	382,934	392,779	3,687	4,649	386,621	397,428
Infrastructure	1,955,033	1,914,087	8,940,070	9,304,230	10,895,103	11,218,317
Shared improvements	283,666	405,305	-	-	283,666	405,305
Construction in progress	-	-	20,800	-	20,800	-
Total	<u>\$ 4,337,042</u>	<u>\$ 4,417,793</u>	<u>\$ 9,394,057</u>	<u>\$ 9,738,379</u>	<u>\$ 13,731,099</u>	<u>\$ 14,156,172</u>

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

Long-Term Debt

At June 30, 2017, the City had \$5,377,820 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	
	2017	2016	2017	2016	2017	2016
Revenue bonds	\$ -	\$ -	\$ 5,273,000	\$ 5,367,000	\$ 5,273,000	\$ 5,367,000
Special assessment bonds	35,000	65,000	-	-	35,000	65,000
Capital lease	-	4,666	-	-	-	4,666
Compensated absences	44,072	49,757	25,748	26,249	69,820	76,006
Total	<u>\$ 79,072</u>	<u>\$ 119,423</u>	<u>\$ 5,298,748</u>	<u>\$ 5,393,249</u>	<u>\$ 5,377,820</u>	<u>\$ 5,512,672</u>

In addition to the City’s debt, the TIFA component unit had outstanding long-term debt totaling \$2,669,952. \$1,039,873 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, co-working 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 2017-18 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, co-working 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 17% of total General Fund revenues. Over the past three years, revenues have increased approximately 2% each year. In fiscal year 2016-17 there was an increase of approximately 5.4%. In fiscal year 2017-18, the City expects this revenue to stay level or increase slightly as the economy improves 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 2017-18, 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 2018 repairs will need to be made to the Wastewater Treatment Plant (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 \$3.0 – 3.8 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.

City of Newaygo
STATEMENT OF NET POSITION
June 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
ASSETS				
Current assets				
Cash and investments	\$ 1,240,130	\$ 577,899	\$ 1,818,029	\$ 1,184,342
Receivables	14,195	110,570	124,765	13,786
Due from other governmental units	103,731	-	103,731	-
Internal balances	(55,694)	55,694	-	-
Inventories	-	31,556	31,556	-
Prepaid items	-	670	670	-
Total current assets	1,302,362	776,389	2,078,751	1,198,128
Noncurrent assets				
Restricted cash and investments	-	466,754	466,754	914
Special assessments receivable	20,702	-	20,702	-
Capital assets, net				
Nondepreciable	605,572	450,300	1,055,872	145,733
Depreciable	3,731,470	8,943,757	12,675,227	2,746,220
Total noncurrent assets	4,357,744	9,860,811	14,218,555	2,892,867
Total assets	5,660,106	10,637,200	16,297,306	4,090,995
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	37,067	100,842	137,909	38,144
Due to other governmental units	-	-	-	227,868
Bonds and other obligations, due within one year	45,000	122,748	167,748	507,505
Total current liabilities	82,067	223,590	305,657	773,517
Noncurrent liabilities				
Bonds and other obligations, less amounts due within one year	34,072	5,176,000	5,210,072	2,162,447
Total liabilities	116,139	5,399,590	5,515,729	2,935,964
NET POSITION				
Net investment in capital assets	4,302,042	4,121,057	8,423,099	222,001
Restricted				
Streets and highways	403,619	-	403,619	-
Debt service	40,856	142,585	183,441	-
Capital projects	-	257,070	257,070	-
Shopping district	26,787	-	26,787	-
Building inspections	6,983	-	6,983	-
Unrestricted	763,680	716,898	1,480,578	933,030
Total net position	\$ 5,543,967	\$ 5,237,610	\$ 10,781,577	\$ 1,155,031

The accompanying notes are an integral part of this statement.

City of Newaygo
STATEMENT OF ACTIVITIES
For the year ended June 30, 2017

<u>Functions/Programs</u>	<u>Program Revenue</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
Primary government								
Governmental activities								
General government	\$ 330,629	\$ 96,424	\$ -	\$ 17,850	\$ (216,355)	\$ -	\$ (216,355)	\$ -
Public safety	431,012	16,980	10,374	-	(403,658)	-	(403,658)	-
Public works	793,142	92,129	227,332	192,188	(281,493)	-	(281,493)	-
Community and economic development	23,361	19,091	-	-	(4,270)	-	(4,270)	-
Culture and recreation	135,802	-	-	25,000	(110,802)	-	(110,802)	-
Interest on long-term debt	2,044	-	-	-	(2,044)	-	(2,044)	-
Total governmental activities	1,715,990	224,624	237,706	235,038	(1,018,622)	-	(1,018,622)	-
Business-type activities								
Sewer	612,853	486,925	-	-	-	(125,928)	(125,928)	-
Water	642,809	605,985	-	-	-	(36,824)	(36,824)	-
Total business-type activities	1,255,662	1,092,910	-	-	-	(162,752)	(162,752)	-
Total primary government	\$ 2,971,652	\$ 1,317,534	\$ 237,706	\$ 235,038	(1,018,622)	(162,752)	(1,181,374)	-
Component units								
Tax Increment Finance Authority	\$ 1,792,541	\$ 59,492	\$ 12,240	\$ -	-	-	-	(1,720,809)
Local Development Finance Authority	149,942	-	-	-	-	-	-	(149,942)
Total component units	\$ 1,942,483	\$ 59,492	\$ 12,240	\$ -	-	-	-	(1,870,751)
General revenues								
Property taxes					285,091	-	285,091	1,795,960
Franchise fees					18,628	-	18,628	-
Grants and contributions not restricted to specific programs					494,966	-	494,966	249,386
Unrestricted investment earnings					9,469	2,270	11,739	3,048
Gain on sale of capital assets					17,807	-	17,807	-
Miscellaneous					63,275	-	63,275	-
Total general revenues					889,236	2,270	891,506	2,048,394
Change in net position					(129,386)	(160,482)	(289,868)	177,643
Net position at July 1, 2016					5,673,353	5,398,092	11,071,445	977,388
Net position at June 30, 2017					\$ 5,543,967	\$ 5,237,610	\$ 10,781,577	\$ 1,155,031

The accompanying notes are an integral part of this statement.

City of Newaygo
BALANCE SHEET
 Governmental Funds
 June 30, 2017

	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 479,195	\$ 256,207	\$ 173,183	\$ 908,585
Receivables				
Accounts	14,195	-	-	14,195
Special assessments	-	-	20,702	20,702
Due from other governmental units	60,461	32,262	11,008	103,731
Total assets	\$ 553,851	\$ 288,469	\$ 204,893	\$ 1,047,213
LIABILITIES				
Accounts payable	\$ 19,638	\$ 3,277	\$ 11,840	\$ 34,755
Accrued liabilities	113	-	-	113
Total liabilities	19,751	3,277	11,840	34,868
FUND BALANCES				
Restricted				
Streets and highways	-	285,192	118,427	403,619
Debt service	-	-	40,856	40,856
Shopping district	-	-	26,787	26,787
Building inspection	-	-	6,983	6,983
Unassigned	534,100	-	-	534,100
Total fund balances	534,100	285,192	193,053	1,012,345
Total liabilities, deferred inflows of resources and fund balances	\$ 553,851	\$ 288,469	\$ 204,893	\$ 1,047,213

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, 2017

Total fund balances—governmental funds		\$ 1,012,345
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	\$ 12,049,598	
Accumulated depreciation	<u>(7,995,225)</u>	4,054,373
Long-term liabilities in governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds and notes payable	(35,000)	
Compensated absences	<u>(44,072)</u>	(79,072)
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	612,015	
Internal balances representing the cumulative difference between actual costs and amounts charged to business-type activities	<u>(55,694)</u>	<u>556,321</u>
Net position of governmental activities		<u><u>\$ 5,543,967</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, 2017

	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 285,091	\$ -	\$ -	\$ 285,091
Licenses and permits	23,122	-	-	23,122
Intergovernmental revenues				
State	186,087	168,502	66,374	420,963
Local	317,482	60,000	-	377,482
Charges for services	201,778	3,267	61,457	266,502
Fines and forfeitures	17,218	-	-	17,218
Investment earnings	6,029	618	2,157	8,804
Other	20,790	-	14,716	35,506
Total revenues	<u>1,057,597</u>	<u>232,387</u>	<u>144,704</u>	<u>1,434,688</u>
EXPENDITURES				
Current				
General government	373,178	-	-	373,178
Public safety	427,240	-	-	427,240
Public works	178,217	265,323	111,355	554,895
Community and economic development	716	-	22,172	22,888
Culture and recreation	98,427	-	-	98,427
Other governmental functions	34,667	-	-	34,667
Debt service				
Principal	-	-	30,000	30,000
Interest and fees	-	-	2,629	2,629
Total expenditures	<u>1,112,445</u>	<u>265,323</u>	<u>166,156</u>	<u>1,543,924</u>
Excess of revenues over (under) expenditures	(54,848)	(32,936)	(21,452)	(109,236)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	12,000	12,000
Transfers out	(2,000)	(10,000)	-	(12,000)
Total other financing sources (uses)	<u>(2,000)</u>	<u>(10,000)</u>	<u>12,000</u>	<u>-</u>
Net change in fund balances	(56,848)	(42,936)	(9,452)	(109,236)
Fund balances at July 1, 2016	590,948	328,128	202,505	1,121,581
Fund balances at June 30, 2017	<u><u>\$ 534,100</u></u>	<u><u>\$ 285,192</u></u>	<u><u>\$ 193,053</u></u>	<u><u>\$ 1,012,345</u></u>

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, 2017

Net change in fund balances—total governmental funds \$ (109,236)

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	\$(493,747)	
Capital outlay	<u>233,766</u>	(259,981)

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

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.	175,038
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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.	(11,991)
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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
Changes in accrual of interest and amortization of premiums and discounts	
Change in accrued interest payable	585

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	5,685
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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	48,475	
Change in internal balances representing the current year difference between actual costs and amounts charged to business-type activities	<u>(7,961)</u>	<u>40,514</u>

Change in net position of governmental activities	<u><u>\$ (129,386)</u></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, 2017

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer	Water	Total	
ASSETS				
Current assets				
Cash and investments	\$ 295,348	\$ 282,551	\$ 577,899	\$ 331,545
Accounts receivable	46,378	64,192	110,570	-
Inventories	2,891	28,665	31,556	-
Prepaid items	-	670	670	-
Total current assets	344,617	376,078	720,695	331,545
Noncurrent assets				
Restricted cash and investments	166,679	300,075	466,754	-
Capital assets				
Land	429,500	-	429,500	-
Utility systems	7,429,674	8,051,872	15,481,546	-
Vehicles and equipment	172,022	94,346	266,368	854,439
Construction in progress	20,800	-	20,800	-
Less accumulated depreciation	(4,112,660)	(2,691,497)	(6,804,157)	(571,770)
Net capital assets	3,939,336	5,454,721	9,394,057	282,669
Total noncurrent assets	4,106,015	5,754,796	9,860,811	282,669
Total assets	4,450,632	6,130,874	10,581,506	614,214
LIABILITIES				
Current liabilities				
Accounts payable	17,238	16,505	33,743	2,199
Accrued liabilities	19,383	47,716	67,099	-
Bonds and other obligations, due within one year	33,310	89,438	122,748	-
Total current liabilities	69,931	153,659	223,590	2,199
Noncurrent liabilities				
Bonds and other obligations, less amounts due within one year	1,084,000	4,092,000	5,176,000	-
Total liabilities	1,153,931	4,245,659	5,399,590	2,199
NET POSITION				
Net investment in capital assets	2,834,336	1,286,721	4,121,057	282,669
Restricted				
Debt service	55,868	86,717	142,585	-
Capital projects	91,428	165,642	257,070	-
Unrestricted	315,069	346,135	661,204	329,346
Total net position	\$ 3,296,701	\$ 1,885,215	5,181,916	\$ 612,015
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			55,694	
Net position of business type activities			\$ 5,237,610	

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, 2017

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer	Water	Total	
OPERATING REVENUES				
Charges for services	\$ 486,925	\$ 604,254	\$ 1,091,179	\$ 196,507
OPERATING EXPENSES				
Administration	116,171	123,450	239,621	-
Operations	243,804	218,905	462,709	113,794
Depreciation	209,656	188,873	398,529	52,710
Total operating expenses	<u>569,631</u>	<u>531,228</u>	<u>1,100,859</u>	<u>166,504</u>
Operating income (loss)	(82,706)	73,026	(9,680)	30,003
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	1,032	1,238	2,270	665
Connection fees	-	1,731	1,731	-
Gain on sale of capital assets	-	-	-	17,807
Interest expense	(47,026)	(115,738)	(162,764)	-
Total nonoperating revenue (expenses)	<u>(45,994)</u>	<u>(112,769)</u>	<u>(158,763)</u>	<u>18,472</u>
Change in net position	(128,700)	(39,743)	(168,443)	48,475
Net position at July 1, 2016	<u>3,425,401</u>	<u>1,924,958</u>		<u>563,540</u>
Net position at June 30, 2017	<u>\$ 3,296,701</u>	<u>\$ 1,885,215</u>		<u>\$ 612,015</u>
Adjustment for the net effect of the current year activities between the internal service fund and the enterprise funds			<u>7,961</u>	
Change in net position of business-type activities			<u>\$ (160,482)</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, 2017

	Business-type Activities - Enterprise Funds			Governmental
	Sewer	Water	Total	Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 486,069	\$ 597,466	\$ 1,083,535	\$ -
Receipts from interfund services provided	2,805	9,695	12,500	196,507
Payments to suppliers	(117,035)	(81,758)	(198,793)	(94,647)
Payments to employees	(190,175)	(201,627)	(391,802)	(18,272)
Payment for interfund services used	(37,986)	(43,546)	(81,532)	-
Net cash provided by operating activities	143,678	280,230	423,908	83,588
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(39,095)	(15,112)	(54,207)	(93,500)
Connection fees	-	1,731	1,731	-
Principal paid on capital debt	(20,000)	(74,000)	(94,000)	(4,666)
Interest paid on capital debt	(47,388)	(116,609)	(163,997)	-
Proceeds from sale of capital assets	-	-	-	54,405
Net cash used for capital and related financing activities	(106,483)	(203,990)	(310,473)	(43,761)
CASH FLOW FROM INVESTING ACTIVITIES				
Investment earnings	1,032	1,238	2,270	665
Net increase in cash and investments	38,227	77,478	115,705	40,492
Cash and investments at July 1, 2016	423,800	505,148	928,948	291,053
Cash and investments at June 30, 2017	\$ 462,027	\$ 582,626	\$ 1,044,653	\$ 331,545
Reconciliation of cash and investments to the Statement of Net Position				
Cash and investments	\$ 295,348	\$ 282,551	\$ 577,899	\$ 331,545
Restricted cash and investments	166,679	300,075	466,754	-
	\$ 462,027	\$ 582,626	\$ 1,044,653	\$ 331,545
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (82,706)	\$ 73,026	\$ (9,680)	\$ 30,003
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation expense	209,656	188,873	398,529	52,710
Change in assets and liabilities				
Accounts receivable	1,949	2,907	4,856	-
Prepaid items	-	(670)	(670)	-
Accounts payable	14,998	16,376	31,374	875
Accrued liabilities	(219)	(282)	(501)	-
Net cash provided by operating activities	\$ 143,678	\$ 280,230	\$ 423,908	\$ 83,588

The accompanying notes are an integral part of this statement.

City of Newaygo
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 Fiduciary Funds
 June 30, 2017

	Agency Funds
ASSETS	
Cash and investments	\$ 32,452
Total assets	\$ 32,452
 LIABILITIES	
Due to other governmental units	\$ 1,301
Deposits held for others	31,151
Total liabilities	\$ 32,452

The accompanying notes are an integral part of this statement.

City of Newaygo
STATEMENT NET POSITION
Discretely Presented Component Units
June 30, 2017

	Tax Increment Finance Authority	Local Development Finance Authority	Total
ASSETS			
Current assets			
Cash and investments	\$ 918,167	\$ 266,175	\$ 1,184,342
Receivables	13,786	-	13,786
Total current assets	931,953	266,175	1,198,128
Noncurrent assets			
Restricted cash and investments	914	-	914
Capital assets, net			
Nondepreciable	145,733	-	145,733
Depreciable	2,746,220	-	2,746,220
Net capital assets	2,891,953	-	2,891,953
Total noncurrent assets	2,892,867	-	2,892,867
Total assets	3,824,820	266,175	4,090,995
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	38,144	-	38,144
Due to other governmental units	227,868	-	227,868
Bonds and other obligations, due within one year	507,505	-	507,505
Total current liabilities	773,517	-	773,517
Noncurrent liabilities			
Bonds and other obligations, less amounts due within one year	2,162,447	-	2,162,447
Total liabilities	2,935,964	-	2,935,964
NET POSITION			
Net investment in capital assets	222,001	-	222,001
Unrestricted	666,855	266,175	933,030
Total net position	\$ 888,856	\$ 266,175	\$ 1,155,031

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, 2017

<u>Functions/Programs</u>	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Tax Increment Finance Authority	Local Development Finance Authority	Total
	Tax Increment Finance Authority					
General government	\$ 140,838	\$ -	\$ -	\$ (140,838)	\$ -	\$ (140,838)
Public works	262,698	-	-	(262,698)	-	(262,698)
Community and economic development	717,581	59,492	12,240	(645,849)	-	(645,849)
Distributions to other taxing authorities	546,709	-	-	(546,709)	-	(546,709)
Interest on long-term debt	124,715	-	-	(124,715)	-	(124,715)
Total Tax Increment Finance Authority	1,792,541	59,492	12,240	(1,720,809)	-	(1,720,809)
Local Development Finance Authority						
General government	10,000	-	-	-	(10,000)	(10,000)
Community and economic development	9,506	-	-	-	(9,506)	(9,506)
Distributions to other taxing authorities	130,436	-	-	-	(130,436)	(130,436)
Total Local Development Finance Authority	149,942	-	-	-	(149,942)	(149,942)
Total discretely presented component units	\$ 1,942,483	\$ 59,492	\$ 12,240	(1,720,809)	(149,942)	(1,870,751)
General revenues						
Property taxes				1,541,630	254,330	1,795,960
Grants and contributions not restricted to specific programs				249,386	-	249,386
Unrestricted investment earnings				2,333	715	3,048
Total general revenues				1,793,349	255,045	2,048,394
Change in net position				72,540	105,103	177,643
Net position at July 1, 2016				816,316	161,072	977,388
Net position at June 30, 2017				\$ 888,856	\$ 266,175	\$ 1,155,031

The accompanying notes are an integral part of this statement.

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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:

Capital Asset Classes	Years
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, 2017

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, 2017

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Property Taxes—Continued

The 2016 state taxable value for real/personal property of the City totaled approximately \$55,000,000 of which approximately \$40,000,000 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, 2017

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, 2017, \$3,033,251 of the City's bank balance of \$3,519,940 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, 2017, cash and investments in the enterprise funds and TIFA component unit are restricted as follows:

Business-type activities

Water Fund

Bond and interest redemption	\$ 134,434
Repair and replacement	165,641
	300,075

Sewer Fund

Bond reserve	75,251
Repair and replacement	91,428
	166,679

\$ 466,754

Component units

TIFA

Bond interest and redemption	\$ 914
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City of Newaygo
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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, 2017 was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 541,824	\$ 63,748	\$ -	\$ 605,572
Capital assets, being depreciated:				
Land improvements	1,492,052	51,325	-	1,543,377
Buildings and improvements	1,537,164	-	-	1,537,164
Furniture, vehicles and equipment	1,131,424	93,500	52,025	1,172,899
Infrastructure	5,926,710	293,731	-	6,220,441
Shared improvements	1,824,584	-	-	1,824,584
Total capital assets, being depreciated	11,911,934	438,556	52,025	12,298,465
Less accumulated depreciation:				
Land improvements	1,061,911	59,872	-	1,121,783
Buildings and improvements	803,507	45,414	-	848,921
Furniture, vehicles and equipment	738,645	66,747	15,427	789,965
Infrastructure	4,012,623	252,785	-	4,265,408
Shared improvements	1,419,279	121,639	-	1,540,918
Total accumulated depreciation	8,035,965	546,457	15,427	8,566,995
Total capital assets, being depreciated, net	3,875,969	(107,901)	36,598	3,731,470
Capital assets, net	\$ 4,417,793	\$ (44,153)	\$ 36,598	\$ 4,337,042

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE D—CAPITAL ASSETS—Continued

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 429,500	\$ -	\$ -	\$ 429,500
Construction in progress	-	20,800	-	20,800
Total capital assets, not being depreciated	429,500	20,800	-	450,300
Capital assets, being depreciated:				
Sewer system	7,411,379	18,295	-	7,429,674
Water system	8,036,760	15,112	-	8,051,872
Equipment	266,368	-	-	266,368
Total capital assets, being depreciated	15,714,507	33,407	-	15,747,914
Less accumulated depreciation:				
Sewer system	3,730,980	209,656	-	3,940,636
Water system	2,412,929	187,911	-	2,600,840
Equipment	261,719	962	-	262,681
Total accumulated depreciation	6,405,628	398,529	-	6,804,157
Total capital assets, being depreciated, net	9,308,879	(365,122)	-	8,943,757
Capital assets, net	\$ 9,738,379	\$ (344,322)	\$ -	\$ 9,394,057

Depreciation

Depreciation expense has been charged to functions as follows:

Governmental activities:

General government	\$ 29,552
Public safety	6,198
Public works	420,681
Culture and recreation	37,316
Internal Service Fund depreciation is charged to the various programs based on their usage of the assets	52,710
	\$ 546,457

Business-type activities:

Sewer	\$ 209,656
Water	188,873
	\$ 398,529

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE D—CAPITAL ASSETS—Continued

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Component units:				
Capital assets, not being depreciated:				
Tax Increment Finance Authority				
Land	\$ 145,733	\$ -	\$ -	\$ 145,733
Capital assets, being depreciated:				
Tax Increment Finance Authority				
Building and improvements	9,641,654	-	-	9,641,654
Less accumulated depreciation:				
Tax Increment Finance Authority				
Buildings and improvements	6,437,378	458,056	-	6,895,434
Total capital assets, being depreciated, net	3,204,276	(458,056)	-	2,746,220
Capital assets, net	\$ 3,350,009	\$ (458,056)	\$ -	\$ 2,891,953

Depreciation

Depreciation expense has been charged to functions as follows:

Community and economic development	\$ 458,056
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NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of inter-fund transfers as of June 30, 2017 is as follows:

Interfund transfers:

	Transfers in: Other Governmental Funds
Transfers out:	
General Fund	\$ 2,000
Major Streets Fund	10,000
Total	\$ 12,000

The transfers were an operational subsidy.

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017:

	<u>Governmental Activities</u>
Capital activities	
TIFA	\$ 175,038
Operating activities	
TIFA	220,000
LDFA	90,000
	<u>\$ 485,038</u>

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, 2017:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Governmental activities:					
Special assessment bonds	\$ 65,000	\$ -	\$ 30,000	\$ 35,000	\$ 35,000
Capital leases	4,666	-	4,666	-	-
Compensated absences	49,757	41,913	47,598	44,072	10,000
Governmental activities long-term liabilities	<u>\$ 119,423</u>	<u>\$ 41,913</u>	<u>\$ 82,264</u>	<u>\$ 79,072</u>	<u>\$ 45,000</u>
Business-type activities:					
Revenue bonds	\$ 5,367,000	\$ -	\$ 94,000	\$ 5,273,000	\$ 97,000
Compensated absences	26,249	20,029	20,530	25,748	25,748
Business-type activities long-term liabilities	<u>\$ 5,393,249</u>	<u>\$ 20,029</u>	<u>\$ 114,530</u>	<u>\$ 5,298,748</u>	<u>\$ 122,748</u>
Component units:					
Tax Increment Bonds	\$ 3,149,646	\$ -	\$ 459,773	\$ 2,689,873	\$ 507,505
Discount	(21,515)	-	(1,594)	(19,921)	-
	<u>\$ 3,128,131</u>	<u>\$ -</u>	<u>\$ 458,179</u>	<u>\$ 2,669,952</u>	<u>\$ 507,505</u>

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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>
Governmental activities:			
2003 Special Assessment Bonds	3.6%	April 2018	\$ 35,000
			<u>\$ 35,000</u>
Business-type activities:			
Revenue bonds:			
2003 Sanitary Sewer System Bonds	4.25%	August 2043	\$ 1,105,000
2003 Water Supply System Bonds	4.25%	August 2043	1,271,000
2013 Water Supply System Bonds	2.125%	August 2053	2,897,000
			<u>\$ 5,273,000</u>
Component units:			
Limited tax development:			
1994 Tax Increment Bonds (Series A) variable formula, currently	1.76%	March 2020	\$ 1,039,873
2010 Tax Increment Bonds	5.30-7%	October 2029	1,650,000
			<u>\$ 2,689,873</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, 2017.

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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, 2017 follow:

Year Ending June 30,	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 35,000	\$ 1,260	\$ 97,000	\$ 161,033	\$ 507,505	\$ 122,510
2019	-	-	100,000	157,961	543,234	110,569
2020	-	-	104,000	154,775	259,134	97,679
2021	-	-	108,000	151,449	100,000	89,230
2022	-	-	111,000	147,997	105,000	83,180
2023-2027	-	-	615,000	683,558	655,000	300,520
2028-2032	-	-	730,000	574,906	520,000	57,225
2033-2037	-	-	870,000	443,105	-	-
2038-2042	-	-	1,042,000	282,496	-	-
2043-2047	-	-	762,000	115,983	-	-
2048-2052	-	-	512,000	51,276	-	-
2053-2054	-	-	222,000	4,760	-	-
	\$ 35,000	\$ 1,260	\$ 5,273,000	\$ 2,929,299	\$ 2,689,873	\$ 860,913

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, 2017

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, 2017

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 2017, the City's total contribution was approximately \$29,000, and the employee contributions were approximately \$7,200.

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 2017, the City's total contribution was approximately \$33,600, and the employee contributions were approximately \$8,400.

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, 2017, the City's contribution to the plan was approximately \$10,000.

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, 2017

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 72 percent of the City's property tax value base. Property tax revenues represent approximately 27 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 26 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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Property taxes	\$ 283,470	\$ 283,470	\$ 285,091	\$ 1,621
Licenses and permits	22,700	22,700	23,122	422
Intergovernmental revenues				
State	176,100	176,100	186,087	9,987
Local	316,500	316,500	317,482	982
Charges for services	204,035	204,035	201,778	(2,257)
Fines and forfeitures	21,000	21,000	17,218	(3,782)
Investment earnings	6,000	6,000	6,029	29
Other	30,600	30,600	20,790	(9,810)
Total revenues	<u>1,060,405</u>	<u>1,060,405</u>	<u>1,057,597</u>	<u>(2,808)</u>
EXPENDITURES				
Current				
General government				
City Council	17,808	83,500	81,544	1,956
City manager	40,898	42,280	40,036	2,244
Elections	5,950	5,950	2,785	3,165
Board of review	1,275	1,275	1,194	81
Clerk	32,115	32,115	30,012	2,103
Treasurer	34,876	34,876	31,899	2,977
Assessor	18,600	31,400	25,130	6,270
Attorney	26,456	26,456	22,373	4,083
City offices	85,749	85,749	74,140	11,609
Cemetery	63,935	63,935	64,065	(130)
Public safety				
Law enforcement	398,915	444,501	427,240	17,261
Public works	197,905	197,905	178,217	19,688
Community and economic development				
Planning	1,750	1,750	716	1,034
Culture and recreation				
Parks	93,348	107,978	98,427	9,551
Other governmental functions	36,400	36,400	34,667	1,733
Total expenditures	<u>1,055,980</u>	<u>1,196,070</u>	<u>1,112,445</u>	<u>83,625</u>
Excess of revenues over (under) expenditures	4,425	(135,665)	(54,848)	80,817
OTHER FINANCING USES				
Transfers out	(2,000)	(2,000)	(2,000)	-
Net change in fund balance	<u>\$ 2,425</u>	<u>\$ (137,665)</u>	(56,848)	<u>\$ 80,817</u>
Fund balance at July 1, 2016			590,948	
Fund balance at June 30, 2017			<u>\$ 534,100</u>	

City of Newaygo
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Major Streets Fund
For the year ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues				
State	\$ 168,000	\$ 168,000	\$ 168,502	\$ 502
Local	60,000	60,000	60,000	-
Charges for services	200	200	3,267	3,067
Investment earnings	500	500	618	118
	<hr/>			
Total revenues	228,700	228,700	232,387	3,687
EXPENDITURES				
Current				
Public works	218,568	292,811	265,323	27,488
	<hr/>			
Excess of revenues over expenditures	10,132	(64,111)	(32,936)	31,175
OTHER FINANCING USES				
Transfers out	(10,000)	(10,000)	(10,000)	-
	<hr/>			
Net change in fund balance	<u>\$ 132</u>	<u>\$ (74,111)</u>	(42,936)	<u>\$ 31,175</u>
Fund balance at July 1, 2016			<u>328,128</u>	
Fund balance at June 30, 2017			<u><u>\$ 285,192</u></u>	

OTHER SUPPLEMENTAL INFORMATION

City of Newaygo
COMBINING BALANCE SHEET
 Other Governmental Funds
 June 30, 2017

	Total Other Governmental Funds	Special Revenue Funds			Debt Service Fund
		Local Streets	Principal Shopping District	Building Inspection	Downtown Parking Lot
ASSETS					
Cash and investments	\$ 173,183	\$ 113,769	\$ 27,462	\$ 11,798	\$ 20,154
Special assessments receivable	20,702	-	-	-	20,702
Due from other governmental units	11,008	11,008	-	-	-
Total assets	\$ 204,893	\$ 124,777	\$ 27,462	\$ 11,798	\$ 40,856
LIABILITIES					
Accounts payable	\$ 11,840	\$ 6,350	\$ 675	\$ 4,815	\$ -
FUND BALANCES					
Restricted					
Streets and highways	118,427	118,427	-	-	-
Debt service	40,856	-	-	-	40,856
Shopping district	26,787	-	26,787	-	-
Building inspection	6,983	-	-	6,983	-
Total fund balances	193,053	118,427	26,787	6,983	40,856
Total liabilities and fund balances	\$ 204,893	\$ 124,777	\$ 27,462	\$ 11,798	\$ 40,856

City of Newaygo
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Other Governmental Funds
 For the year ended June 30, 2017

	Total Other Governmental Funds	Special Revenue Funds			Debt Service Fund
		Local Streets	Principal Shopping District	Building Inspection	Downtown Parking Lot
REVENUES					
Intergovernmental revenues					
State	\$ 66,374	\$ 66,374	\$ -	\$ -	\$ -
Charges for services	61,457	-	42,366	19,091	-
Investment earnings	2,157	240	75	-	1,842
Other	14,716	-	1,924	-	12,792
Total revenues	144,704	66,614	44,365	19,091	14,634
EXPENDITURES					
Current					
Public works	111,355	65,871	45,484	-	-
Community and economic development	22,172	-	-	22,172	-
Debt service					
Principal	30,000	-	-	-	30,000
Interest and fees	2,629	-	-	-	2,629
Total expenditures	166,156	65,871	45,484	22,172	32,629
Excess of revenues over (under) expenditures	(21,452)	743	(1,119)	(3,081)	(17,995)
OTHER FINANCING SOURCES					
Transfers in	12,000	12,000	-	-	-
Net change in fund balances	(9,452)	12,743	(1,119)	(3,081)	(17,995)
Fund balances at July 1, 2016	202,505	105,684	27,906	10,064	58,851
Fund balances at June 30, 2017	\$ 193,053	\$ 118,427	\$ 26,787	\$ 6,983	\$ 40,856

City of Newaygo
COMBINING STATEMENT OF ASSETS AND LIABILITIES
 Agency Funds
 June 30, 2017

	Total Agency Funds	Tax Collection	Joint Maintenance City/Library	Newaygo Community Recreation Authority
ASSETS				
Cash and investments	\$ 32,452	\$ 1,301	\$ 8,000	\$ 23,151
Total assets	\$ 32,452	\$ 1,301	\$ 8,000	\$ 23,151
LIABILITIES				
Due to other governmental units	\$ 1,301	\$ 1,301	\$ -	\$ -
Deposits held for others	31,151	-	8,000	23,151
Total liabilities	\$ 32,452	\$ 1,301	\$ 8,000	\$ 23,151