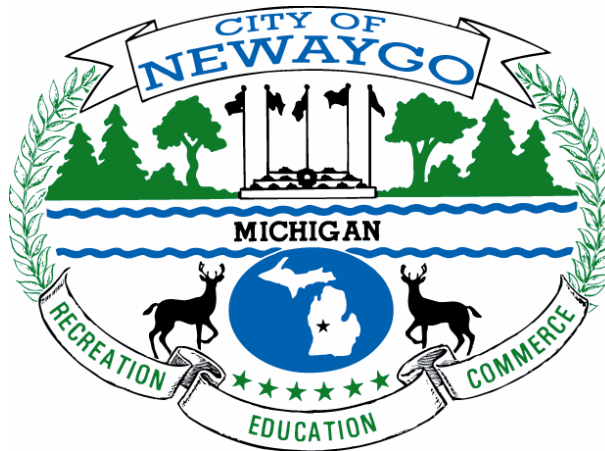


City of Newaygo
Newaygo County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

June 30, 2020



City of Newaygo

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INDEPENDENT AUDITOR'S REPORT

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, 2020, 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.

Honorable Mayor and Members
of the City Council
City of Newaygo
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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, 2020, 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.

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 4 – 12 and 44 – 46 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.

Honorable Mayor and Members
of the City Council
City of Newaygo
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2020, 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
November 20, 2020

CITY OF NEWAYGO, MICHIGAN

Management's Discussion and Analysis

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, 2020. 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, 2020 include the following:

- The City completed various paving or repair projects on several streets during the year for approximately \$208,000. Also, different lane configurations were tested on M37 in downtown Newaygo which included parking on both sides of the street. The goal is to increase the vibrancy of the town through increased parking, better access to businesses and improved walkability.
- Some vehicles and equipment were purchased totaling approximately \$157,000. Some used or obsolete equipment was sold. Proceeds from the sales totaled approximately \$63,000.
- The General Fund fund balance increased by approximately \$64,000 for the year mostly due to less than anticipated expenses.
- Sewer system improvements of approximately \$3,500,000 were completed during the year. These included improvements to the Waste Water Treatment plant, sewage lift stations, and sewer mains.
- The City's Tax Increment Finance Authority (TIFA) refinanced debt in the amount of \$1,435,000 for a term of ten years at an interest rate of 1.85%. Prior interest rates on the debt were as high as 7%.

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.

CITY OF NEWAYGO, MICHIGAN

Management's Discussion and Analysis

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, 2020, the City's net position from governmental activities totaled approximately \$5,900,000 and \$7,927,000 from business-type activities, creating a total government-wide net position total of approximately \$13,827,000.

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 \$3,974,000. Restricted net position, those restricted mainly for streets and highways, debt service, and capital projects were approximately \$867,000. The unrestricted net position for governmental-type activities is approximately \$1,060,000. This represents the amount of discretionary resources that can be used for general governmental operations.

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

For governmental activities, current assets and other assets increased due to an increase in cash reserves. Capital assets decreased due to current year depreciation exceeding current year capital additions. Liabilities increased primarily due to increased accounts payable. Restricted and unrestricted net position increased primarily due to an increase in cash reserves.

For business activities, current assets and other assets decreased primarily due to a decrease in cash and investments. Capital assets increased due to capital investments exceeding current year depreciation. Current liabilities decreased due to decreased accounts payable for sewer system improvements. Non-current liabilities increased due to new debt incurred on the sewer system.

CITY OF NEWAYGO, MICHIGAN

Management's Discussion and Analysis

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

	Governmental Activities		Business Activities		Total	
	2020	2019	2020	2019	2020	2019
Current assets and other assets	\$ 2,150	\$ 1,969	\$ 2,397	\$ 2,657	\$ 4,547	\$ 4,626
Capital assets	3,974	4,119	13,631	10,323	17,605	14,442
Total assets	6,124	6,088	16,028	12,980	22,152	19,068
Current liabilities	183	132	852	1,183	1,035	1,315
Noncurrent liabilities	41	43	7,248	6,509	7,289	6,552
Total liabilities	224	175	8,100	7,692	8,324	7,867
Net position						
Net investment in capital assets	3,973	4,113	6,246	3,747	10,219	7,860
Restricted	867	822	543	465	1,410	1,287
Unrestricted	1,060	978	1,138	1,076	2,198	2,054
Total net position	\$ 5,900	\$ 5,913	\$ 7,927	\$ 5,288	\$ 13,827	\$ 11,201

Change in Net Position

Governmental Activities

Regarding revenues, charges for services decreased due to less charges for material sales, building permits, and rental inspection revenue. Operating grants and contributions decreased due to less grants received and less money received for street operations. Capital grants and contributions increased primarily due to a grant for façade improvements.

Regarding expenses, general government increased due to more maintenance costs at the cemetery and city hall. Public safety increased due to more personnel expenses. Public works decreased due to reduced expenses in the current year to crush concrete and less depreciation expense. Community and economic development increased due to expenses for façade improvements to buildings in the downtown.

Business-Type Activities

Regarding revenues, charges for services decreased primarily due to a decrease in activity from the COVID-19 lockdown. Capital grants and contributions increased due to USDA grant money received for the sewer system project.

Sewer expenses increased due to an increase in interest expense related to the sewer system improvement project.

CITY OF NEWAYGO, MICHIGAN

Management's Discussion and Analysis

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

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:						
Program revenues						
Charges for services	\$ 304	\$ 459	\$ 1,147	\$ 1,221	\$ 1,451	\$ 1,680
Operating grants and contributions	349	389	-	-	349	389
Capital grants and contributions	1,635	541	2,832	140	4,467	681
General revenues						
Property taxes	301	302	-	-	301	302
Franchise fees	19	20	-	-	19	20
Grants and contributions not restricted	602	606	-	-	602	606
Unrestricted investment earnings	16	22	14	16	30	38
Other	113	104	-	-	113	104
Total revenues	3,339	2,443	3,993	1,377	7,332	3,820
Expenses:						
General government	377	331	-	-	377	331
Public safety	530	513	-	-	530	513
Public works	749	911	-	-	749	911
Community and economic development	1,583	266	-	-	1,583	266
Culture and recreation	112	120	-	-	112	120
Interest on long term debt	1	-	-	-	1	-
Sewer	-	-	668	613	668	613
Water	-	-	686	686	686	686
Total expenses	3,352	2,141	1,354	1,299	4,706	3,440
Change in net position	(13)	302	2,639	78	2,626	380
Net position - Beginning	5,913	5,611	5,288	5,210	11,201	10,821
Net position - Ending	\$ 5,900	\$ 5,913	\$ 7,927	\$ 5,288	\$ 13,827	\$ 11,201

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, 2020, the City governmental funds reported a combined fund balance of \$1,702,670. This number represents the fund balance of \$835,370 in the General Fund and \$867,300 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 increase of \$63,856. This increase was primarily the result of lower expenses than projected for law enforcement, public works, and parks.

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, 2020, unrestricted net position of the Sewer Fund and Water Fund were \$443,614 and \$593,808, respectively.

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

Component Units

TIFA finances many of the City's infrastructure projects through property tax revenues and debt issuance, but TIFA normally does not own any of the improvements. The TIFA had a decrease in net position of \$107,763. TIFA continues to assist the City with various infrastructure projects. TIFA also owns and operates a facility that serves as a co-working & office space, business incubator, and economic development hub for the area. TIFA paid off debt relating to the Magna Mirrors factory. Remaining outstanding TIFA debt was refinanced at an interest rate of 1.85% and is scheduled to be paid off by 2030. Prior interest rates were as high as 7%.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council made some budget amendments to the General Fund budget. These amendments primarily related to increased public works and law enforcement expenses.

The final amended budget to actual showed some budget variances. Regarding revenues, less than expected state revenues and service revenue were received. Revenue for fines and forfeitures was less than expected. Regarding expenses, law enforcement was under the amended budget due to less than anticipated personnel expenses. Public works was under the amended budget primarily due to less than anticipated material expenses and utilities. Parks was under the amended budget primarily due to less than anticipated personnel and maintenance costs.

CITY OF NEWAYGO, MICHIGAN

Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the City had \$17,604,785, 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 an increase of \$3,163,072 from last year. This increase was primarily the result of construction in progress for improvements to the City's sewer system. The City had a number of capital asset additions during the year including, but not limited to, street paving (approximately \$208,000), and purchase of vehicles and equipment (approximately \$157,000).

	Governmental Activities		Business Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 600,572	\$ 600,572	\$ 429,500	\$ 429,500	\$ 1,030,072	\$ 1,030,072
Land improvements	290,576	332,449	-	-	290,576	332,449
Building and improvements	576,017	607,160	-	-	576,017	607,160
Furniture, vehicles and equipment	568,358	554,503	801	1,763	569,159	556,266
Infrastructure	1,935,174	1,983,885	7,765,794	8,161,481	9,700,968	10,145,366
Shared improvements	3,459	40,388	-	-	3,459	40,388
Construction in progress	-	-	5,434,534	1,730,012	5,434,534	1,730,012
Total	\$ 3,974,156	\$ 4,118,957	\$ 13,630,629	\$ 10,322,756	\$ 17,604,785	\$ 14,441,713

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

Long-Term Debt

At June 30, 2020, the City had \$7,477,945 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	
	2020	2019	2020	2019	2020	2019
Revenue bonds	\$ -	\$ -	\$ 7,385,000	\$ 6,666,777	\$ 7,385,000	\$ 6,666,777
Capital lease	1,181	5,905	-	-	1,181	5,905
Compensated absences	61,431	52,065	30,333	26,965	91,764	79,030
Total	\$ 62,612	\$ 57,970	\$ 7,415,333	\$ 6,693,742	\$ 7,477,945	\$ 6,751,712

In addition to the City's debt, the TIFA component unit had outstanding long-term debt totaling \$1,435,000. The debt is for a building owned by TIFA that serves as a business incubator, co-working & office space, and economic development hub. 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 2020-21 City budget maintains the existing City millage rate of 17.75. The City continues to evaluate the City millage amount as part of an on-going effort by the City Council and staff to levy an appropriate tax that generates revenues sufficient to cover community operations and projects, and promote economic growth. The property tax values for real property are expected to rise slightly due to increased economic activity.

The City of Newaygo in partnership with The Right Place, Inc. 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. Two factories, Magna Mirrors and GM Wood Products have completed major expansion projects that will add to the City's tax revenue and also create more jobs. 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. Positive results have been seen as approximately 25 new homes have been built in town over the last couple years along with 15 new apartments and more slated for construction.

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. Part of the distribution formula is based on population. With new housing being built in the City, population is expected to increase thereby resulting in more revenue for the City. Revenues have increased the last couple years. If the economy continues to be strong, revenues are expected to continue to increase. Management continues to monitor this situation, especially any impacts from restrictions implemented due to the management of COVID-19, and the affect any changes will have on the City's budget. Currently, State shared sales tax revenues represent approximately 15% of total General Fund revenues.

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. During 2020-21, 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 2020 work continued at the Wastewater Treatment Plant (WWTP) to replace lagoon liners that have reached the end of their life. Improvements to sewage lift stations and sewer mains/manholes continued as well. Completion of the repairs/upgrades to the sewer system is expected by the end of 2020. The total project is expected to cost approximately \$6.0 million. The City has received assistance from the federal government (USDA Rural Development) to pay for the project. There will be loans in the amount of \$2,467,516 and grants in the amount of \$3,558,519.

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, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
ASSETS				
Current assets				
Cash and investments	\$ 2,151,522	\$ 887,852	\$ 3,039,374	\$ 1,122,112
Receivables	16,440	129,788	146,228	2,979
Due from other governmental units	82,881	589,866	672,747	-
Internal balances	(101,002)	101,002	-	-
Inventories	-	31,556	31,556	-
Total current assets	<u>2,149,841</u>	<u>1,740,064</u>	<u>3,889,905</u>	<u>1,125,091</u>
Noncurrent assets				
Restricted cash and investments	-	657,332	657,332	-
Capital assets, net				
Nondepreciable	600,572	5,864,034	6,464,606	145,733
Depreciable	<u>3,373,584</u>	<u>7,766,595</u>	<u>11,140,179</u>	<u>1,581,592</u>
Total noncurrent assets	<u>3,974,156</u>	<u>14,287,961</u>	<u>18,262,117</u>	<u>1,727,325</u>
Total assets	<u>6,123,997</u>	<u>16,028,025</u>	<u>22,152,022</u>	<u>2,852,416</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	161,137	685,243	846,380	25,984
Bonds and other obligations, due within one year	<u>21,181</u>	<u>167,000</u>	<u>188,181</u>	<u>130,000</u>
Total current liabilities	<u>182,318</u>	<u>852,243</u>	<u>1,034,561</u>	<u>155,984</u>
Noncurrent liabilities				
Bonds and other obligations, less amounts due within one year	<u>41,431</u>	<u>7,248,333</u>	<u>7,289,764</u>	<u>1,289,860</u>
Total liabilities	<u>223,749</u>	<u>8,100,576</u>	<u>8,324,325</u>	<u>1,445,844</u>
NET POSITION				
Net investment in capital assets	3,972,975	6,245,629	10,218,604	292,325
Restricted				
Streets and highways	668,859	-	668,859	-
Debt service	-	189,883	189,883	-
Capital projects	-	353,513	353,513	-
Shopping district	39,713	-	39,713	-
Building inspections	10,766	-	10,766	-
Community and economic development	147,962	-	147,962	-
Unrestricted	<u>1,059,973</u>	<u>1,138,424</u>	<u>2,198,397</u>	<u>1,114,247</u>
Total net position	<u>\$ 5,900,248</u>	<u>\$ 7,927,449</u>	<u>\$ 13,827,697</u>	<u>\$ 1,406,572</u>

The accompanying notes are an integral part of this statement.

City of Newaygo
STATEMENT OF ACTIVITIES
For the year ended June 30, 2020

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 377,601	\$ 100,081	\$ -	\$ -	\$ (277,520)	\$ -	\$ (277,520)	\$ -
Public safety	529,728	70,198	36,355	-	(423,175)	-	(423,175)	-
Public works	748,784	100,789	312,581	182,000	(153,414)	-	(153,414)	-
Community and economic development	1,582,834	33,648	-	1,452,864	(96,322)	-	(96,322)	-
Culture and recreation	112,308	-	-	-	(112,308)	-	(112,308)	-
Interest on long-term debt	1,300	-	-	-	(1,300)	-	(1,300)	-
Total governmental activities	3,352,555	304,716	348,936	1,634,864	(1,064,039)	-	(1,064,039)	-
Business-type activities								
Sewer	666,566	497,199	-	2,827,866	-	2,658,499	2,658,499	-
Water	685,885	649,724	-	3,750	-	(32,411)	(32,411)	-
Total business-type activities	1,352,451	1,146,923	-	2,831,616	-	2,626,088	2,626,088	-
Total primary government	\$ 4,705,006	\$ 1,451,639	\$ 348,936	\$ 4,466,480	(1,064,039)	2,626,088	1,562,049	-
Component units								
Tax Increment Finance Authority	\$ 2,062,340	\$ 79,072	\$ -	\$ -	-	-	-	(1,983,268)
Local Development Finance Authority	240,882	-	-	-	-	-	-	(240,882)
Total component units	\$ 2,303,222	\$ 79,072	\$ -	\$ -	-	-	-	(2,224,150)
General revenues								
Property taxes					300,725	-	300,725	1,771,469
Franchise fees					19,031	-	19,031	-
Grants and contributions not restricted to specific programs					602,243	-	602,243	332,160
Unrestricted investment earnings					16,142	13,549	29,691	12,128
Gain on sale of capital assets					22,912	-	22,912	-
Miscellaneous					90,407	-	90,407	-
Total general revenues					1,051,460	13,549	1,065,009	2,115,757
Change in net position					(12,579)	2,639,637	2,627,058	(108,393)
Net position at beginning of year					5,912,827	5,287,812	11,200,639	1,514,965
Net position at end of year					\$ 5,900,248	\$ 7,927,449	\$ 13,827,697	\$ 1,406,572

The accompanying notes are an integral part of this statement.

City of Newaygo
BALANCE SHEET
 Governmental Funds
 June 30, 2020

	General Fund	Major Streets Fund	Façade Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 829,807	\$ 411,004	\$ 230,899	\$ 274,515	\$ 1,746,225
Accounts receivable	12,138	-	-	4,302	16,440
Due from other governmental units	26,483	31,094	14,708	10,596	82,881
Total assets	\$ 868,428	\$ 442,098	\$ 245,607	\$ 289,413	\$ 1,845,546
LIABILITIES					
Accounts payable	\$ 30,125	\$ 7,179	\$ 97,645	\$ 4,994	\$ 139,943
Accrued liabilities	2,933	-	-	-	2,933
Total liabilities	33,058	7,179	97,645	4,994	142,876
FUND BALANCES					
Restricted					
Streets and highways	-	434,919	-	233,940	668,859
Shopping district	-	-	-	39,713	39,713
Building inspection	-	-	-	10,766	10,766
Community and economic development	-	-	147,962	-	147,962
Assigned to fiscal year 2021 budget	8,466	-	-	-	8,466
Unassigned	826,904	-	-	-	826,904
Total fund balances	835,370	434,919	147,962	284,419	1,702,670
Total liabilities and fund balances	\$ 868,428	\$ 442,098	\$ 245,607	\$ 289,413	\$ 1,845,546

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, 2020

Total fund balances—governmental funds		\$ 1,702,670
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	\$ 12,834,691	
Accumulated depreciation	<u>(9,323,601)</u>	3,511,090
Long-term liabilities in governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated absences		(61,431)
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	848,921	
Internal balances representing the cumulative difference between actual costs and amounts charged to business-type activities	<u>(101,002)</u>	<u>747,919</u>
Net position of governmental activities		<u>\$5,900,248</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, 2020

	General Fund	Major Streets Fund	Façade Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 300,725	\$ -	\$ -	\$ -	\$ 300,725
Licenses and permits	22,691	-	-	-	22,691
Intergovernmental revenues					
Federal	735	-	854,864	-	855,599
State	216,530	230,838	-	92,306	539,674
Local	413,871	-	-	-	413,871
Charges for services	265,868	-	-	80,372	346,240
Fines and forfeitures	12,126	-	-	-	12,126
Investment earnings	9,926	2,423	-	1,481	13,830
Other	60,658	-	598,000	-	658,658
Total revenues	1,303,130	233,261	1,452,864	174,159	3,163,414
EXPENDITURES					
Current					
General government	330,998	-	-	-	330,998
Public safety	527,848	-	-	-	527,848
Public works	223,888	140,382	-	102,214	466,484
Community and economic development	6,539	-	1,534,304	37,113	1,577,956
Culture and recreation	96,762	-	-	-	96,762
Other governmental functions	40,839	-	-	-	40,839
Debt service					
Interest and fees	-	-	-	1,300	1,300
Capital outlay	12,400	-	-	-	12,400
Total expenditures	1,239,274	140,382	1,534,304	140,627	3,054,587
Excess of revenues over (under) expenditures	63,856	92,879	(81,440)	33,532	108,827
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	22,628	22,628
Transfers out	-	(20,000)	-	(2,628)	(22,628)
Total other financing sources (uses)	-	(20,000)	-	20,000	-
Net change in fund balances	63,856	72,879	(81,440)	53,532	108,827
Fund balances at beginning of year	771,514	362,040	229,402	230,887	1,593,843
Fund balances at end of year	\$ 835,370	\$ 434,919	\$ 147,962	\$ 284,419	\$ 1,702,670

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, 2020

Net change in fund balances—total governmental funds \$ 108,827

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	\$ (400,253)	
Capital outlay	<u>220,767</u>	(179,486)

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		(9,366)
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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	84,401	
Change in internal balances representing the current year difference between actual costs and amounts charged to business-type activities	<u>(16,955)</u>	<u>67,446</u>

Change in net position of governmental activities		<u>\$ (12,579)</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, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer	Water	Total	
ASSETS				
Current assets				
Cash and investments	\$ 367,505	\$ 520,347	\$ 887,852	\$ 405,296
Accounts receivable	53,793	75,995	129,788	-
Due from other governmental units	589,866	-	589,866	-
Inventories	2,891	28,665	31,556	-
Total current assets	1,014,055	625,007	1,639,062	405,296
Noncurrent assets				
Restricted cash and investments	245,213	412,119	657,332	-
Capital assets				
Land	429,500	-	429,500	-
Utility systems	7,441,278	8,057,372	15,498,650	-
Vehicles and equipment	172,022	94,346	266,368	1,123,576
Construction in progress	5,434,534	-	5,434,534	-
Less accumulated depreciation	(4,740,641)	(3,257,782)	(7,998,423)	(660,510)
Net capital assets	8,736,693	4,893,936	13,630,629	463,066
Total noncurrent assets	8,981,906	5,306,055	14,287,961	463,066
Total assets	9,995,961	5,931,062	15,927,023	868,362
LIABILITIES				
Current liabilities				
Accounts payable	585,319	14,524	599,843	18,260
Accrued liabilities	40,500	44,900	85,400	-
Bonds and other obligations, due within one year	73,000	94,000	167,000	1,181
Total current liabilities	698,819	153,424	852,243	19,441
Noncurrent liabilities				
Bonds and other obligations, less amounts due within one year	3,392,688	3,855,645	7,248,333	-
Total liabilities	4,091,507	4,009,069	8,100,576	19,441
NET POSITION				
Net investment in capital assets	5,284,693	960,936	6,245,629	461,885
Restricted				
Debt service	57,318	132,565	189,883	-
Capital projects	118,829	234,684	353,513	-
Unrestricted	443,614	593,808	1,037,422	387,036
Total net position	\$ 5,904,454	\$ 1,921,993	7,826,447	\$ 848,921
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			101,002	
Net position of business type activities			\$ 7,927,449	

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, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer	Water	Total	Service Fund
OPERATING REVENUES				
Charges for services	\$ 494,098	\$ 632,388	\$ 1,126,486	\$ 275,472
OPERATING EXPENSES				
Administration	104,871	116,769	221,640	-
Operations	270,529	280,233	550,762	134,121
Depreciation	209,065	187,583	396,648	82,168
Total operating expenses	584,465	584,585	1,169,050	216,289
Operating income (loss)	(90,367)	47,803	(42,564)	59,183
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	5,176	8,373	13,549	2,306
Connection fees	3,101	17,336	20,437	-
Gain on sale of capital assets	-	-	-	22,912
Interest expense	(91,214)	(109,142)	(200,356)	-
Total nonoperating revenue (expenses)	(82,937)	(83,433)	(166,370)	25,218
Income (loss) before contributions	(173,304)	(35,630)	(208,934)	84,401
CAPITAL CONTRIBUTIONS	2,827,866	3,750	2,831,616	-
Change in net position	2,654,562	(31,880)	2,622,682	84,401
Net position at beginning of year	3,249,892	1,953,873		764,520
Net position at end of year	\$ 5,904,454	\$ 1,921,993		\$ 848,921
Adjustment for the net effect of the current year activities between the internal service fund and the enterprise funds			16,955	
Change in net position of business-type activities			\$ 2,639,637	

The accompanying notes are an integral part of this statement.

City of Newaygo
STATEMENT OF CASH FLOWS
Proprietary Funds
For year end June 30, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer	Water	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 485,992	\$ 616,743	\$ 1,102,735	\$ -
Receipts from interfund services provided	2,437	8,484	10,921	275,472
Payments to suppliers	(100,581)	(160,243)	(260,824)	(98,000)
Payments to employees	(229,183)	(183,520)	(412,703)	(30,577)
Payment for interfund services used	(44,260)	(39,756)	(84,016)	(8,000)
Net cash provided by operating activities	114,405	241,708	356,113	138,895
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital debt	876,223	-	876,223	-
Purchases of capital assets	(4,044,848)	-	(4,044,848)	(157,441)
Capital contributions	3,179,777	3,750	3,183,527	-
Connection fees	3,101	17,336	20,437	-
Principal paid on capital debt	(77,000)	(81,000)	(158,000)	(4,724)
Interest paid on capital debt	(74,505)	(110,129)	(184,634)	-
Proceeds from sale of capital assets	-	-	-	63,500
Net cash provided by (used for) capital and related financing activities	(137,252)	(170,043)	(307,295)	(98,665)
CASH FLOW FROM INVESTING ACTIVITIES				
Investment earnings	5,176	8,373	13,549	2,306
Net increase (decrease) in cash and investments	(17,671)	80,038	62,367	42,536
Cash and investments at beginning of year	630,389	852,428	1,482,817	362,760
Cash and investments at end of year	\$ 612,718	\$ 932,466	\$ 1,545,184	\$ 405,296
Reconciliation of cash and investments to the Statement of Net Position				
Cash and investments	\$ 367,505	\$ 520,347	\$ 887,852	\$ 405,296
Restricted cash and investments	245,213	412,119	657,332	-
	\$ 612,718	\$ 932,466	\$ 1,545,184	\$ 405,296
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (90,367)	\$ 47,803	\$ (42,564)	\$ 59,183
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation expense	209,065	187,583	396,648	82,168
Change in assets and liabilities				
Accounts receivable	(5,669)	(7,161)	(12,830)	-
Accounts payable	487	11,003	11,490	(2,456)
Accrued liabilities	889	2,480	3,369	-
Net cash provided by operating activities	\$ 114,405	\$ 241,708	\$ 356,113	\$ 138,895

The accompanying notes are an integral part of this statement.

City of Newaygo
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 Agency Funds
 June 30, 2020

	Agency Funds
ASSETS	
Cash and investments	\$ 51,455
Due from other governmental units	1,593
Total assets	\$ 53,048
 LIABILITIES	
Due to other governmental units	\$ 2,963
Deposits held for others	50,085
Total liabilities	\$ 53,048

The accompanying notes are an integral part of this statement.

City of Newaygo
STATEMENT NET POSITION
Discretely Presented Component Units
June 30, 2020

	Tax Increment Finance Authority	Local Development Finance Authority	Total
ASSETS			
Current assets			
Cash and investments	\$ 757,034	\$ 365,078	\$ 1,122,112
Receivables	2,979	-	2,979
Total current assets	760,013	365,078	1,125,091
Noncurrent assets			
Capital assets, net			
Nondepreciable	145,733	-	145,733
Depreciable	1,581,592	-	1,581,592
Net capital assets	1,727,325	-	1,727,325
Total noncurrent assets	1,727,325	-	1,727,325
Total assets	2,487,338	365,078	2,852,416
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	25,984	-	25,984
Bonds and other obligations, due within one year	130,000	-	130,000
Total current liabilities	155,984	-	155,984
Noncurrent liabilities			
Bonds and other obligations, less amounts due within one year	1,289,860	-	1,289,860
Total liabilities	1,445,844	-	1,445,844
NET POSITION			
Net investment in capital assets	292,325	-	292,325
Unrestricted	749,169	365,078	1,114,247
Total net position	\$ 1,041,494	\$ 365,078	\$ 1,406,572

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, 2020

Functions/Programs	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	\$ 245,870	\$ -	\$ -	\$ (245,870)	\$ -	\$ (245,870)
Public works	294,853	-	-	(294,853)	-	(294,853)
Community and economic development	470,119	79,072	-	(391,047)	-	(391,047)
Distributions to other taxing authorities	921,548	-	-	(921,548)	-	(921,548)
Interest on long-term debt	129,950	-	-	(129,950)	-	(129,950)
Total Tax Increment Finance Authority	2,062,340	79,072	-	(1,983,268)	-	(1,983,268)
Local Development Finance Authority						
General government	10,000	-	-	-	(10,000)	(10,000)
Community and economic development	25,000	-	-	-	(25,000)	(25,000)
Distributions to other taxing authorities	205,882	-	-	-	(205,882)	(205,882)
Total Local Development Finance Authority	240,882	-	-	-	(240,882)	(240,882)
Total discretely presented component units	\$ 2,303,222	\$ 79,072	\$ -	(1,983,268)	(240,882)	(2,224,150)
General revenues						
Property taxes				1,534,012	237,457	1,771,469
Grants and contributions not restricted to specific programs				332,160	-	332,160
Unrestricted investment earnings				9,333	2,795	12,128
Total general revenues				1,875,505	240,252	2,115,757
Change in net position				(107,763)	(630)	(108,393)
Net position at beginning of year				1,149,257	365,708	1,514,965
Net position at end of year				\$ 1,041,494	\$ 365,078	\$ 1,406,572

The accompanying notes are an integral part of this statement.

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020

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 Facade Fund is a special revenue fund utilized to account for a federal grant to perform improvements to building exteriors in the downtown area.

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, 2020

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, 2020

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 units' 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, 2020

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, 2020

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, 2020

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Property Taxes—Continued

The 2019 state taxable value for real/personal property of the City totaled approximately \$56,290,000 of which approximately \$40,270,000 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 day's 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, 2020

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, 2020, \$4,142,578 of the City's bank balance of \$4,892,578 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, 2020, cash and investments in the enterprise funds and TIFA component unit are restricted as follows:

Business-type activities

Water Fund	
Bond and interest redemption	\$ 177,435
Repair and replacement	234,684
	412,119
Sewer Fund	
Bond reserve	97,818
Repair and replacement	147,395
	245,213
	\$ 657,332

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

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, 2020 was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 600,572	\$ -	\$ -	\$ 600,572
Capital assets, being depreciated:				
Land improvements	1,549,380	-	-	1,549,380
Buildings and improvements	1,542,749	12,400	-	1,555,149
Furniture, vehicles and equipment	1,372,270	157,441	72,168	1,457,543
Infrastructure	6,762,672	208,367	-	6,971,039
Shared improvements	1,824,584	-	-	1,824,584
Total capital assets, being depreciated	13,051,655	378,208	72,168	13,357,695
Less accumulated depreciation:				
Land improvements	1,216,931	41,873	-	1,258,804
Buildings and improvements	935,589	43,543	-	979,132
Furniture, vehicles and equipment	817,767	102,998	31,580	889,185
Infrastructure	4,778,787	257,078	-	5,035,865
Shared improvements	1,784,196	36,929	-	1,821,125
Total accumulated depreciation	9,533,270	482,421	31,580	9,984,111
Total capital assets, being depreciated, net	3,518,385	(104,213)	40,588	3,373,584
Capital assets, net	\$ 4,118,957	\$ (104,213)	\$ 40,588	\$ 3,974,156

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE D—CAPITAL ASSETS—Continued

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 429,500	\$ -	\$ -	\$ 429,500
Construction in progress	1,730,012	3,704,522	-	5,434,534
Total capital assets, not being depreciated	2,159,512	3,704,522	-	5,864,034
Capital assets, being depreciated:				
Sewer system	7,441,277	-	-	7,441,277
Water system	8,057,372	-	-	8,057,372
Equipment	266,368	-	-	266,368
Total capital assets, being depreciated	15,765,017	-	-	15,765,017
Less accumulated depreciation:				
Sewer system	4,359,551	209,065	-	4,568,616
Water system	2,977,618	186,621	-	3,164,239
Equipment	264,605	962	-	265,567
Total accumulated depreciation	7,601,774	396,648	-	7,998,422
Total capital assets, being depreciated, net	8,163,243	(396,648)	-	7,766,595
Capital assets, net	\$ 10,322,755	\$ 3,307,874	\$ -	\$ 13,630,629

Depreciation

Depreciation expense has been charged to functions as follows:

Governmental activities:

General government	\$ 40,049
Public safety	4,843
Public works	337,010
Culture and recreation	18,351
Internal Service Fund depreciation is charged to the various programs based on their usage of the assets	82,168
	\$ 482,421

Business-type activities:

Sewer	\$ 209,065
Water	187,583
	\$ 396,648

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE D—CAPITAL ASSETS—Continued

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
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	7,854,343	205,719	-	8,060,062
Total capital assets, being depreciated, net	1,787,311	(205,719)	-	1,581,592
Capital assets, net	\$ 1,933,044	\$ (205,719)	\$ -	\$ 1,727,325

Depreciation

Depreciation expense has been charged to functions as follows:

Community and economic development	\$ 205,719
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NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund transfers as of June 30, 2020 is as follows:

Interfund transfers:

	Transfers in: Other Governmental Funds
Transfers out:	
Major Streets Fund	\$ 20,000
Other Governmental Funds	2,628
Total	\$ 22,628

The transfer was an operational subsidy.

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

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, 2020:

	<u>Governmental Activities</u>
Capital activities	
TIFA	\$ 182,000
Operating activities	
TIFA	32,000
LDFA	<u>10,000</u>
	<u><u>\$ 224,000</u></u>

NOTE F—LONG-TERM DEBT

The City issues bonds, notes and other contractual commitments to provide for infrastructure, the acquisition, construction and improvement of major capital facilities and for the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Notes from direct borrowings and direct placements include a capital lease.

In October 2019, the TIFA issued \$1,435,000 of 2019 Tax Increment Refunding Bonds with an interest rate of 1.85%. The Proceeds were used to advance refund \$1,385,000 of outstanding Tax Increment Finance Authority which had interest rates ranging from 5.80% to 7.00%.

The City’s advance refunded the bonds to reduce its total debt service payment over the next 9 years by approximately \$345,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$307,000.

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE F—LONG-TERM DEBT—Continued

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, 2020:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Governmental activities:					
Notes from direct borrowings and direct placements	\$ 5,905	\$ -	\$ 4,724	\$ 1,181	\$ 1,181
Compensated absences	52,065	50,191	40,825	61,431	20,000
Governmental activities long-term liabilities	\$ 57,970	\$ 50,191	\$ 45,549	\$ 62,612	\$ 21,181
Business-type activities:					
Public placement debt					
Revenue bonds	\$ 6,666,777	\$ 876,223	\$ 158,000	\$ 7,385,000	\$ 147,000
Compensated absences	26,965	25,731	22,363	30,333	20,000
Business-type activities long-term liabilities	\$ 6,693,742	\$ 901,954	\$ 180,363	\$ 7,415,333	\$ 167,000
Component units:					
Public placement debt					
Tax Increment Bonds	\$ 1,644,134	\$ 1,435,000	\$ 1,644,134	\$ 1,435,000	\$ 130,000
Discount	(16,734)	-	(1,594)	(15,140)	-
Component units long-term liabilities	\$ 1,627,400	\$ 1,435,000	\$ 1,642,540	\$ 1,419,860	\$ 130,000

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

NOTE F—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

The business-type activities revenue bonds are secured by revenues of the City. If the City defaults, the bonds are callable.

The governmental activities notes from direct borrowings and direct placements are comprised of a capital lease.

The capital lease is non-cancellable by the City and is secured by the equipment.

Revenue bonds, tax increment bonds, and notes from direct borrowings and direct placements consist of the following:

	Interest Rate	Date of Maturity	Balance
Governmental activities:			
Notes from direct borrowings and direct placements	0.0%	August 2020	\$ 1,181
Public Placement Debt			
Business-type activities:			
Revenue bonds:			
2003 Sanitary Sewer System Bonds	4.25%	August 2043	\$ 1,039,000
2003 Water Supply System Bonds	4.25%	August 2043	1,196,000
2013 Water Supply System Bonds	2.125%	August 2053	2,737,000
2018A Sanitary Sewer System Bonds	2.125%	August 2058	1,458,000
2018B Sanitary Sewer System Bonds	2.375%	August 2058	955,000
			\$ 7,385,000
Component units:			
Limited tax development:			
2019 Tax Increment Refunding Bonds	1.85%	June 2030	\$ 1,435,000

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

The City was in compliance in all material respects with all the revenue bond ordinances at June 30, 2020.

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE F—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

Annual debt service requirements to maturity for public placement debt and for direct borrowings and direct placements outstanding as of June 30, 2020 follow:

Year Ending June 30,	Governmental Activities		Business-type Activities		Component Units	
	Notes from Direct Borrowings and Direct Placements		Public Placement Debt		Public Placement Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 1,181	\$ -	\$ 147,000	\$ 204,823	\$ 130,000	\$ 23,206
2022	-	-	151,000	200,347	130,000	22,940
2023	-	-	155,000	195,886	135,000	20,489
2024	-	-	161,000	191,257	140,000	17,945
2025	-	-	166,000	186,582	140,000	15,355
2026-2030	-	-	913,000	853,986	760,000	35,798
2031-2035	-	-	1,069,000	704,831	-	-
2036-2040	-	-	1,255,000	526,303	-	-
2041-2045	-	-	1,333,000	314,268	-	-
2046-2050	-	-	848,000	176,676	-	-
2051-2055	-	-	835,000	80,608	-	-
2056-2059	-	-	352,000	15,879	-	-
	\$ 1,181	\$ -	\$ 7,385,000	\$ 3,651,446	\$ 1,435,000	\$ 135,733

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, 2020

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 Tax Increment Finance Authority owns a manufacturing facility and leases the facility for \$1 per year to Magna Mirrors of America Incorporated for thirty years ending in 2024. 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 for \$1.

The Tax Increment Finance Authority also leases the Stream Building under various operating leases that expire through May 2025. The Tax Increment Finance Authority received rental income of approximately \$74,000 for the year ended June 30, 2020. The future minimum rental income for these leases is as follows:

Year ended	Amount
June 30	
2021	\$ 65,556
2022	57,756
2023	53,906
2024	53,556
2025	44,630
	<u>\$ 275,404</u>

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, 2020

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 2020, the City's total contribution was approximately \$28,700, 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 2020, the City's total contribution was approximately \$41,900, and the employee contributions were approximately \$10,500.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in the City's contributions and earnings on the City's contributions by 20 percent for each full year of service, leaving employees fully vested after five years of service. Nonvested City contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. For the year ended June 30, 2020, there were no forfeitures.

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, 2020, the City's contribution to the plan was approximately \$19,200.

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, 2020

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 71 percent of the City's property tax value base. Property tax revenues represent approximately 23 percent of the General Fund's revenues.

NOTE J—COMMITMENTS

The City has entered into various contracts for a sewer system project with approximately \$967,000 still outstanding. The project is being funded with federal grants and Revenue bonds.

The City also has outstanding commitments of approximately \$369,000 for façade improvements to buildings in the downtown City of Newaygo area. These expenditures will be funded with a federal grant and special assessments for the balance of the project.

NOTE K—SUBSEQUENT EVENTS

The COVID-19 pandemic that the world is experiencing is unprecedented. It is nearly impossible to fully understand the impact that it will have on the economy and on the City's operations. As of November 20, 2020, the City is in the process of implementing risk mitigation tactics including all aspects of the City's business transactions with customers, vendors and human interaction within and outside of the City.

In August 2020, the City entered into a contract for paving of approximately \$279,000. These expenditures will be funded with available Major Streets Fund and Local Streets Fund balance and a contribution from the Tax Increment Finance Authority.

REQUIRED SUPPLEMENTARY INFORMATION

City of Newaygo
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 300,800	\$ 300,800	\$ 300,725	\$ (75)
Licenses and permits	23,700	23,700	22,691	(1,009)
Intergovernmental revenues				
Federal	-	-	735	735
State	199,700	220,858	216,530	(4,328)
Local	415,000	415,000	413,871	(1,129)
Charges for services	269,660	269,660	265,868	(3,792)
Fines and forfeitures	21,000	21,000	12,126	(8,874)
Investment earnings	11,000	11,000	9,926	(1,074)
Other	52,500	52,500	60,658	8,158
Total revenues	1,293,360	1,314,518	1,303,130	(11,388)
EXPENDITURES				
Current				
General government				
City Council	29,468	24,468	17,683	6,785
City manager	42,016	42,016	38,689	3,327
Elections	5,950	5,950	3,435	2,515
Board of review	1,275	1,275	1,200	75
Clerk	31,415	33,402	30,058	3,344
Treasurer	35,700	41,200	37,660	3,540
Assessor	25,800	25,800	20,718	5,082
Attorney	25,000	15,000	10,933	4,067
City offices	90,449	95,202	89,933	5,269
Cemetery	82,133	82,133	80,689	1,444
Public safety				
Law enforcement	529,656	554,363	527,848	26,515
Public works	212,397	241,065	223,888	17,177
Community and economic development				
Planning	9,250	9,250	6,539	2,711
Culture and recreation				
Parks	116,205	111,835	96,762	15,073
Other governmental functions	41,000	42,500	40,839	1,661
Capital outlay	12,500	12,500	12,400	100
Total expenditures	1,290,214	1,337,959	1,239,274	98,685
Net change in fund balance	<u>\$ 3,146</u>	<u>\$ (23,441)</u>	63,856	<u>\$ 87,297</u>
Fund balance at beginning of year			771,514	
Fund balance at end of year			<u>\$ 835,370</u>	

City of Newaygo
 Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
 Major Streets Fund
 For the year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Intergovernmental revenues				
State	\$ 218,000	\$ 218,000	\$ 230,838	\$ 12,838
Charges for services	1,000	1,000	-	(1,000)
Investment earnings	1,500	1,500	2,423	923
	<hr/>			
Total revenues	220,500	220,500	233,261	12,761
EXPENDITURES				
Current				
Public works	191,900	191,900	140,382	51,518
	<hr/>			
Excess of revenues over expenditures	28,600	28,600	92,879	64,279
OTHER FINANCING USES				
Transfers out	(20,000)	(20,000)	(20,000)	-
	<hr/>			
Net change in fund balance	\$ 8,600	\$ 8,600	72,879	\$ 64,279
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Fund balance at beginning of year			362,040	
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Fund balance at end of year			\$ 434,919	
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City of Newaygo
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Facade Fund
For the year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues				
Federal	\$ 990,000	\$ 990,000	\$ 854,864	\$ (135,136)
Other	878,418	878,418	598,000	(280,418)
Total revenues	1,868,418	1,868,418	1,452,864	(415,554)
EXPENDITURES				
Current				
Community and economic development				
Planning	1,868,418	1,868,418	1,534,304	334,114
Total expenditures	1,868,418	1,868,418	1,534,304	334,114
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(81,440)	<u>\$ (81,440)</u>
Fund balance at beginning of year			229,402	
Fund balance at end of year			<u>\$ 147,962</u>	

OTHER SUPPLEMENTARY INFORMATION

City of Newaygo
COMBINING BALANCE SHEET
 Other Governmental Funds
 June 30, 2020

	Total Other Governmental Funds	Special Revenue Funds			Debt Service Fund
		Local Streets	Principal Shopping District	Building Inspection	Downtown Parking Lot
ASSETS					
Cash and investments	\$ 274,515	\$ 224,721	\$ 36,308	\$ 13,486	\$ -
Accounts receivable	4,302	-	4,302	-	-
Due from other governmental units	10,596	10,596	-	-	-
Total assets	\$ 289,413	\$ 235,317	\$ 40,610	\$ 13,486	\$ -
LIABILITIES					
Accounts payable	\$ 4,994	\$ 1,377	\$ 897	\$ 2,720	\$ -
FUND BALANCES					
Restricted					
Streets and highways	233,940	233,940	-	-	-
Debt service	-	-	-	-	-
Shopping district	39,713	-	39,713	-	-
Building inspection	10,766	-	-	10,766	-
Total fund balances	284,419	233,940	39,713	10,766	-
Total liabilities and fund balances	\$ 289,413	\$ 235,317	\$ 40,610	\$ 13,486	\$ -

City of Newaygo
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Other Governmental Funds
 For the year ended June 30, 2020

	Total Other Governmental Funds	Special Revenue Funds			Debt Service Fund
		Local Streets	Principal Shopping District	Building Inspection	Downtown Parking Lot
REVENUES					
Intergovernmental revenues					
State	\$ 92,306	\$ 92,306	\$ -	\$ -	\$ -
Charges for services	80,372	-	46,724	33,648	-
Investment earnings	1,481	1,248	233	-	-
Total revenues	174,159	93,554	46,957	33,648	-
EXPENDITURES					
Current					
Public works	102,214	59,404	42,810	-	-
Community and economic development	37,113	-	-	37,113	-
Debt service					
Interest and fees	1,300	-	-	-	1,300
Total expenditures	140,627	59,404	42,810	37,113	1,300
Excess of revenues over (under) expenditures	33,532	34,150	4,147	(3,465)	(1,300)
OTHER FINANCING SOURCES					
Transfers in	22,628	20,000	2,628	-	-
Transfers out	(2,628)	-	-	-	(2,628)
Total other financing sources (uses)	20,000	20,000	2,628	-	(2,628)
Net change in fund balances	53,532	54,150	6,775	(3,465)	(3,928)
Fund balances at beginning of year	230,887	179,790	32,938	14,231	3,928
Fund balances at end of the year	\$ 284,419	\$ 233,940	\$ 39,713	\$ 10,766	\$ -

City of Newaygo
COMBINING STATEMENT OF ASSETS AND LIABILITIES
 Agency Funds
 June 30, 2020

	Total	Tax	Joint	Newaygo
	Agency Funds	Collection	Maintenance	Community
	Agency Funds	Collection	City/Library	Recreation
	Agency Funds	Collection	City/Library	Authority
ASSETS				
Cash and investments	\$ 51,455	\$ 1,370	\$ 13,543	\$ 36,542
Due from other governmental units	1,593	1,593	-	-
Total assets	\$ 53,048	\$ 2,963	\$ 13,543	\$ 36,542
LIABILITIES				
Due to other governmental units	\$ 2,963	\$ 2,963	\$ -	\$ -
Deposits held for others	50,085	-	13,543	36,542
Total liabilities	\$ 53,048	\$ 2,963	\$ 13,543	\$ 36,542