

City of Newaygo  
Newaygo County, Michigan

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

June 30, 2018



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, 2018, 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, 2018, 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 3 – 13 and 44 – 45 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 October 16, 2018, 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.

A handwritten signature in black ink that reads "Brickley DeLong, P.C." The signature is written in a cursive style with a large, looped initial 'B'.

Muskegon, Michigan  
October 16, 2018

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, 2018. 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, 2018 include the following:

- The City completed various paving projects on several streets during the year for approximately \$204,000.
- Some vehicles and equipment were purchased totaling approximately \$202,000. Some used or obsolete equipment was sold. Proceeds from the sales totaled approximately \$58,000.
- The General Fund fund balance increased by approximately \$114,000 for the year mostly due to the sale of land in the City's industrial park.

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

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) notes to the financial statements and 3) fund financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances. These statements are similar to those of a private sector business.

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

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

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

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

### **Fund Financial Statements**

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

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

### **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

### **Other Information**

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

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

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

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

### **Net Position**

The first table presented below is a summary of the government-wide statement of net position for the City of Newaygo. As stated earlier, the net position may be used as an indicator of a government's financial health. As of June 30, 2018, the City's net position from governmental activities totaled approximately \$5,611,000 and \$5,210,000 from business-type activities, creating a total government-wide net position total of approximately \$10,821,000.

In examining the composition of net position, the reader should note that net position for governmental activities are mostly invested in capital assets (i.e., streets, buildings, land, vehicles, equipment, etc.). These assets are used to provide services to the City's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Net investment in capital assets is approximately \$4,251,000. Restricted net position, those restricted mainly for streets and highways, debt service, and capital projects were approximately \$546,000. The unrestricted net position for governmental-type activities is approximately \$814,000. This represents the amount of discretionary resources that can be used for general governmental operations.

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

For governmental activities, current assets and other assets increased due to an increase in cash reserves. Capital assets decreased by approximately \$96,000 due to current year depreciation exceeding current year capital additions. Liabilities decreased primarily due to normal scheduled payments related to the downtown special assessment for parking lot improvements. Restricted and unrestricted net position increased primarily due to an increase in cash reserves.

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



# CITY OF NEWAYGO, MICHIGAN

## Management's Discussion and Analysis

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

	Governmental Activities		Business Activities		Total	
	2018	2017	2018	2017	2018	2017
Current assets and other assets	\$ 1,455	\$ 1,302	\$ 1,288	\$ 1,244	\$ 2,743	\$ 2,546
Capital assets	4,262	4,358	9,207	9,394	13,469	13,752
Total assets	5,717	5,660	10,495	10,638	16,212	16,298
Current liabilities	59	82	209	224	268	306
Noncurrent liabilities	47	34	5,076	5,176	5,123	5,210
Total liabilities	106	116	5,285	5,400	5,391	5,516
Net position						
Net investment in capital assets	4,251	4,302	4,031	4,121	8,282	8,423
Restricted	546	478	464	400	1,010	878
Unrestricted	814	764	715	717	1,529	1,481
Total net position	<b>\$ 5,611</b>	<b>\$ 5,544</b>	<b>\$ 5,210</b>	<b>\$ 5,238</b>	<b>\$ 10,821</b>	<b>\$ 10,782</b>

### Change in Net Position

#### **Governmental Activities**

Regarding revenues, operating grants and contributions increased due to contributions received for public safety and public works. Capital grants and contributions increased primarily due to an increase in public works projects funded by TIFA. Grants and contributions not restricted increased due to a larger disbursement from TIFA and LDFFA. Other revenues increased due to sale of land in the City's industrial park.

Regarding expenses, general government increased due to increased personnel and legal expenses. Public safety increased due to more personnel and training expenses. Public works increased due to more personnel and maintenance expenses.

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

Regarding revenues, charges for services increased due to an increase in usage, an increase in rates, and an increase in water system connection fees.

Regarding expenses, sewer and water expenses changed minimally.

# CITY OF NEWAYGO, MICHIGAN

## Management's Discussion and Analysis

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

	Governmental Activities		Business Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 223	\$ 225	\$ 1,201	\$ 1,093	\$ 1,424	\$ 1,318
Operating grants and contributions	320	238	-	-	320	238
Capital grants and contributions	264	235	10	-	274	235
General revenues						
Property taxes	279	285	-	-	279	285
Franchise fees	19	19	-	-	19	19
Grants and contributions not restricted	555	495	-	-	555	495
Unrestricted investment earnings	11	9	5	2	16	11
Other	195	81	-	-	195	81
<b>Total revenues</b>	<b>1,866</b>	<b>1,587</b>	<b>1,216</b>	<b>1,095</b>	<b>3,082</b>	<b>2,682</b>
<b>Expenses:</b>						
General government	378	331	-	-	378	331
Public safety	473	431	-	-	473	431
Public works	813	793	-	-	813	793
Community and economic development	19	23	-	-	19	23
Culture and recreation	114	136	-	-	114	136
Interest on long term debt	2	2	-	-	2	2
Sewer	-	-	606	613	606	613
Water	-	-	638	642	638	642
<b>Total expenses</b>	<b>1,799</b>	<b>1,716</b>	<b>1,244</b>	<b>1,255</b>	<b>3,043</b>	<b>2,971</b>
Change in net position	67	(129)	(28)	(160)	39	(289)
Net position - Beginning	5,544	5,673	5,238	5,398	10,782	11,071
Net position - Ending	<u>\$ 5,611</u>	<u>\$ 5,544</u>	<u>\$ 5,210</u>	<u>\$ 5,238</u>	<u>\$ 10,821</u>	<u>\$ 10,782</u>

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

As stated earlier in this discussion and analysis, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### **Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2018, the City governmental funds reported a combined fund balance of \$1,194,106. This number represents the fund balance of \$648,121 in the General Fund and \$545,985 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 \$114,021. This increase was primarily the result of the sale of land in the City's industrial park.

#### **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, 2018, unrestricted net position of the Sewer Fund and Water Fund were \$184,166 and \$466,093, respectively.

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

#### **Component Units**

TIFA finances many of the City's infrastructure projects through property tax revenues and debt issuance, but TIFA normally does not own any of the improvements. The TIFA increased in net position. TIFA continues to assist the City with various infrastructure projects. TIFA also owns and operates a facility that serves as a co-working space, business incubator, and economic development hub for the area. TIFA has made significant progress in repayment of outstanding debt. TIFA repaid principal on long-term debt of \$505,912 during the year.

**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 legal and law enforcement expenses.

The final amended budget to actual showed some budget variances. Regarding revenues, less than expected tax revenues and police fines were received. Other revenue was up due to an increase in donations. Regarding expenses, law enforcement was under the amended budget due to less than anticipated property maintenance inspection fees. Public works was under the amended budget primarily due to less than anticipated equipment and material expenses. Planning was under the amended budget primarily due to less than anticipated consultant fees for the Master Plan update. Parks was under the amended budget primarily due to less than anticipated personnel costs from utilizing part-time employees.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2018, the City had \$13,468,590, net of depreciation, invested in a broad range of capital assets including land, buildings, public safety equipment, roads, parks and water and sewer infrastructure. This represents a decrease of \$262,509 from last year. This decrease was primarily the result of depreciation exceeding current year capital asset additions. The City had a number of capital asset additions during the year including, but not limited to, street paving (\$204,000), and purchase of vehicles and equipment (\$202,000).

	Governmental Activities		Business Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 600,572	\$ 605,572	\$ 429,500	\$ 429,500	\$ 1,030,072	\$ 1,035,072
Land improvements	378,211	421,594	-	-	378,211	421,594
Building and improvements	650,703	688,243	-	-	650,703	688,243
Furniture, vehicles and equipment	479,657	382,934	2,725	3,687	482,382	386,621
Infrastructure	1,990,620	1,955,033	8,558,941	8,940,070	10,549,561	10,895,103
Shared improvements	162,027	283,666	-	-	162,027	283,666
Construction in progress	-	-	215,634	20,800	215,634	20,800
Total	<u>\$ 4,261,790</u>	<u>\$ 4,337,042</u>	<u>\$ 9,206,800</u>	<u>\$ 9,394,057</u>	<u>\$ 13,468,590</u>	<u>\$ 13,731,099</u>

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

**Long-Term Debt**

At June 30, 2018, the City had \$5,263,701 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	
	2018	2017	2018	2017	2018	2017
Revenue bonds	\$ -	\$ -	\$ 5,176,000	\$ 5,273,000	\$ 5,176,000	\$ 5,273,000
Special assessment bonds	-	35,000	-	-	-	35,000
Capital lease	10,629	-	-	-	10,629	-
Compensated absences	51,691	44,072	25,381	25,748	77,072	69,820
Total	<u>\$ 62,320</u>	<u>\$ 79,072</u>	<u>\$ 5,201,381</u>	<u>\$ 5,298,748</u>	<u>\$ 5,263,701</u>	<u>\$ 5,377,820</u>

In addition to the City’s debt, the TIFA component unit had outstanding long-term debt totaling \$2,164,040. \$617,368 of this debt is owed on the Magna Mirrors building which is presently owned by the TIFA. Once this debt is repaid the building will be transferred to Magna Mirrors. The remainder of the debt is for a building owned by TIFA that serves as a business incubator, co-working space, and houses staff whose efforts are focused on economic development. Debt issued by the component unit is typically secured by the limited full faith and credit of the City and so it is an important consideration in assessing the City’s overall fiscal health.

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

**GENERAL ECONOMIC OVERVIEW**

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

*Local Property Tax*

The current 2018-19 City budget maintains the existing City millage rate of 17.75. The City continues to work on reducing the City millage amount as part of an on-going effort by the City Council and staff to decrease the tax burden on taxpayers and promote economic growth. The property tax values for real property are expected to rise 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 are in the process of major expansion projects. Besides promotion, the City continues to work on beautification of structures and spaces. In addition, the Stream Building is an innovative office complex located in downtown Newaygo. It is a multi-purpose facility with various working environments. It serves as a business incubator, co-working and remote work space, and a talent development center with staff focused on economic development. This facility will encourage economic growth for the community through education, job creation, and allowing people to remain in the community to work and recreate. These items will influence the need for housing and commercial property which will affect local property tax revenues.

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

### *State Shared Revenues*

State shared revenues are based on sales tax revenues. 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 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 2018-19, 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 2019 repairs will need to be made to the Wastewater Treatment Plant (WWTP) to replace lagoon liners that have reached the end of their life. Other repairs and upgrades are anticipated for the wastewater system as well. The total project is expected to cost approximately \$6.0 million. The City will receive 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](http://www.newaygocity.org).

City of Newaygo  
**STATEMENT OF NET POSITION**  
June 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
<b>ASSETS</b>				
Current assets				
Cash and investments	\$ 1,430,034	\$ 551,680	\$ 1,981,714	\$ 1,246,603
Receivables	10,539	109,774	120,313	7,509
Due from other governmental units	79,308	-	79,308	-
Internal balances	(64,525)	64,525	-	-
Inventories	-	31,556	31,556	-
Total current assets	1,455,356	757,535	2,212,891	1,254,112
Noncurrent assets				
Restricted cash and investments	-	530,373	530,373	1,691
Capital assets, net				
Nondepreciable	600,572	645,134	1,245,706	145,733
Depreciable	3,661,218	8,561,666	12,222,884	2,282,130
Total noncurrent assets	4,261,790	9,737,173	13,998,963	2,429,554
Total assets	5,717,146	10,494,708	16,211,854	3,683,666
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable and accrued liabilities	31,087	83,187	114,274	98,871
Unearned revenue - grant	12,500	-	12,500	-
Bonds and other obligations, due within one year	14,724	125,381	140,105	543,234
Total current liabilities	58,311	208,568	266,879	642,105
Noncurrent liabilities				
Bonds and other obligations, less amounts due within one year	47,596	5,076,000	5,123,596	1,620,806
Total liabilities	105,907	5,284,568	5,390,475	2,262,911
<b>NET POSITION</b>				
Net investment in capital assets	4,251,161	4,030,800	8,281,961	263,823
Restricted				
Streets and highways	506,313	-	506,313	-
Debt service	3,884	157,277	161,161	-
Capital projects	-	307,279	307,279	-
Shopping district	27,893	-	27,893	-
Building inspections	7,895	-	7,895	-
Unrestricted	814,093	714,784	1,528,877	1,156,932
Total net position	<b>\$ 5,611,239</b>	<b>\$ 5,210,140</b>	<b>\$ 10,821,379</b>	<b>\$ 1,420,755</b>

The accompanying notes are an integral part of this statement.



City of Newaygo  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2018

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 378,058	\$ 105,746	\$ -	\$ -	\$ (272,312)	\$ -	\$ (272,312)	\$ -
Public safety	472,741	13,115	28,444	-	(431,182)	-	(431,182)	-
Public works	813,611	95,194	291,702	263,957	(162,758)	-	(162,758)	-
Community and economic development	19,144	9,042	-	-	(10,102)	-	(10,102)	-
Culture and recreation	113,883	-	-	-	(113,883)	-	(113,883)	-
Interest on long-term debt	1,972	-	-	-	(1,972)	-	(1,972)	-
Total governmental activities	1,799,409	223,097	320,146	263,957	(992,209)	-	(992,209)	-
Business-type activities								
Sewer	606,184	506,497	-	-	-	(99,687)	(99,687)	-
Water	637,562	694,565	-	9,790	-	66,793	66,793	-
Total business-type activities	1,243,746	1,201,062	-	9,790	-	(32,894)	(32,894)	-
Total primary government	<b>\$ 3,043,155</b>	<b>\$ 1,424,159</b>	<b>\$ 320,146</b>	<b>\$ 273,747</b>	(992,209)	(32,894)	(1,025,103)	-
Component units								
Tax Increment Finance Authority	\$ 1,837,649	\$ 61,671	\$ 42,840	\$ -	-	-	-	(1,733,138)
Local Development Finance Authority	158,183	-	-	-	-	-	-	(158,183)
Total component units	<b>\$ 1,995,832</b>	<b>\$ 61,671</b>	<b>\$ 42,840</b>	<b>\$ -</b>	-	-	-	(1,891,321)
General revenues								
Property taxes					279,056	-	279,056	1,862,427
Franchise fees					18,935	-	18,935	-
Grants and contributions not restricted to specific programs					554,817	-	554,817	286,962
Unrestricted investment earnings					11,147	5,424	16,571	7,656
Gain on sale of capital assets					136,730	-	136,730	-
Miscellaneous					58,796	-	58,796	-
Total general revenues					1,059,481	5,424	1,064,905	2,157,045
Change in net position					67,272	(27,470)	39,802	265,724
Net position at July 1, 2017					5,543,967	5,237,610	10,781,577	1,155,031
Net position at June 30, 2018					<b>\$ 5,611,239</b>	<b>\$ 5,210,140</b>	<b>\$ 10,821,379</b>	<b>\$ 1,420,755</b>

The accompanying notes are an integral part of this statement.

City of Newaygo  
**BALANCE SHEET**  
 Governmental Funds  
 June 30, 2018

	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 638,548	\$ 348,852	\$ 156,296	\$ 1,143,696
Accounts receivable	10,539	-	-	10,539
Due from other governmental units	33,457	34,189	11,662	79,308
Total assets	<b>\$ 682,544</b>	<b>\$ 383,041</b>	<b>\$ 167,958</b>	<b>\$ 1,233,543</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 19,432	\$ 2,308	\$ 2,706	\$ 24,446
Accrued liabilities	2,491	-	-	2,491
Unearned revenue - grant	12,500	-	-	12,500
Total liabilities	34,423	2,308	2,706	39,437
<b>FUND BALANCES</b>				
Restricted				
Streets and highways	-	380,733	125,580	506,313
Debt service	-	-	3,884	3,884
Shopping district	-	-	27,893	27,893
Building inspection	-	-	7,895	7,895
Unassigned	648,121	-	-	648,121
Total fund balances	648,121	380,733	165,252	1,194,106
Total liabilities and fund balances	<b>\$ 682,544</b>	<b>\$ 383,041</b>	<b>\$ 167,958</b>	<b>\$ 1,233,543</b>

The accompanying notes are an integral part of this statement.

City of Newaygo  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION**  
 June 30, 2018

Total fund balances—governmental funds		\$ 1,194,106
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	\$ 12,308,309	
Accumulated depreciation	<u>(8,439,857)</u>	3,868,452
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		(51,691)
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	664,897	
Internal balances representing the cumulative difference between actual costs and amounts charged to business-type activities	<u>(64,525)</u>	<u>600,372</u>
Net position of governmental activities		<u><b>\$ 5,611,239</b></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, 2018

	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 279,056	\$ -	\$ -	\$ 279,056
Licenses and permits	22,312	-	-	22,312
Intergovernmental revenues				
State	192,891	202,632	98,608	494,131
Local	370,600	-	-	370,600
Charges for services	209,338	5,582	60,708	275,628
Fines and forfeitures	12,755	-	-	12,755
Investment earnings	7,587	1,596	659	9,842
Other	38,014	-	-	38,014
Total revenues	1,132,553	209,810	159,975	1,502,338
<b>EXPENDITURES</b>				
Current				
General government	336,905	-	-	336,905
Public safety	466,979	-	-	466,979
Public works	195,723	104,269	144,626	444,618
Community and economic development	10,521	-	16,178	26,699
Culture and recreation	91,624	-	-	91,624
Other governmental functions	36,145	-	-	36,145
Debt service				
Principal	-	-	35,000	35,000
Interest and fees	-	-	1,972	1,972
Capital outlay	5,585	-	-	5,585
Total expenditures	1,143,482	104,269	197,776	1,445,527
Excess of revenues over (under) expenditures	(10,929)	105,541	(37,801)	56,811
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	124,950	-	-	124,950
Transfers in	-	-	10,000	10,000
Transfers out	-	(10,000)	-	(10,000)
Total other financing sources (uses)	124,950	(10,000)	10,000	124,950
Net change in fund balances	114,021	95,541	(27,801)	181,761
Fund balances at July 1, 2017	534,100	285,192	193,053	1,012,345
Fund balances at June 30, 2018	<b>\$ 648,121</b>	<b>\$ 380,733</b>	<b>\$ 165,252</b>	<b>\$ 1,194,106</b>

The accompanying notes are an integral part of this statement.

City of Newaygo  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
 For the year ended June 30, 2018

Net change in fund balances—total governmental funds \$ 181,761

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	\$ (486,219)	
Capital outlay	41,341	(444,878)

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

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the remaining undepreciated cost of the capital asset sold.		(5,000)
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Donations of capital assets increase net position in the Statement of Activities, but do not appear in the governmental funds because they are not financial resources.		263,957
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The issuance of long-term debt provides current financial resources to governmental funds, but increases liabilities in the Statement of Net Position. Repayment of debt is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position.

Repayment of principal on long-term debt		35,000
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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		(7,619)
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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	52,882	
Change in internal balances representing the current year difference between actual costs and amounts charged to business-type activities	(8,831)	44,051

Change in net position of governmental activities		<u><u>\$ 67,272</u></u>
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The accompanying notes are an integral part of this statement.

City of Newaygo  
**STATEMENT OF NET POSITION**  
 Proprietary Funds  
 June 30, 2018

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Fund</b>
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>	
<b>ASSETS</b>				
Current assets				
Cash and investments	\$ 162,795	\$ 388,885	\$ 551,680	\$ 286,338
Accounts receivable	46,090	63,684	109,774	-
Inventories	2,891	28,665	31,556	-
Total current assets	211,776	481,234	693,010	286,338
Noncurrent assets				
Restricted cash and investments	177,291	353,082	530,373	-
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	999,683
Construction in progress	215,634	-	215,634	-
Less accumulated depreciation	(4,322,510)	(2,880,842)	(7,203,352)	(606,345)
Net capital assets	3,935,924	5,270,876	9,206,800	393,338
Total noncurrent assets	4,113,215	5,623,958	9,737,173	393,338
Total assets	4,324,991	6,105,192	10,430,183	679,676
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	15,516	1,854	17,370	4,150
Accrued liabilities	19,001	46,816	65,817	-
Bonds and other obligations, due within one year	34,095	91,286	125,381	4,724
Total current liabilities	68,612	139,956	208,568	8,874
Noncurrent liabilities				
Bonds and other obligations, less amounts due within one year	1,062,000	4,014,000	5,076,000	5,905
Total liabilities	1,130,612	4,153,956	5,284,568	14,779
<b>NET POSITION</b>				
Net investment in capital assets	2,851,924	1,178,876	4,030,800	382,709
Restricted				
Debt service	56,862	100,415	157,277	-
Capital projects	101,427	205,852	307,279	-
Unrestricted	184,166	466,093	650,259	282,188
Total net position	<b>\$ 3,194,379</b>	<b>\$ 1,951,236</b>	5,145,615	<b>\$ 664,897</b>
Adjustment to report the cumulative internal balances for the net effect of the activity between the internal service fund and the enterprise funds over time			64,525	
Net position of business type activities			<b>\$ 5,210,140</b>	

The accompanying notes are an integral part of this statement.

City of Newaygo  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
Proprietary Funds  
For the year ended June 30, 2018

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Fund</b>
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 502,692	\$ 629,953	\$ 1,132,645	\$ 217,081
<b>OPERATING EXPENSES</b>				
Administration	112,364	118,834	231,198	-
Operations	242,499	219,936	462,435	115,942
Depreciation	209,849	189,345	399,194	66,340
Total operating expenses	<u>564,712</u>	<u>528,115</u>	<u>1,092,827</u>	<u>182,282</u>
Operating income (loss)	(62,020)	101,838	39,818	34,799
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings	2,027	3,397	5,424	1,303
Connection fees	3,805	64,612	68,417	-
Other revenues	-	9,790	9,790	-
Gain on sale of capital assets	-	-	-	16,780
Interest expense	(46,134)	(113,616)	(159,750)	-
Total nonoperating revenue (expenses)	<u>(40,302)</u>	<u>(35,817)</u>	<u>(76,119)</u>	<u>18,083</u>
Change in net position	(102,322)	66,021	(36,301)	52,882
Net position at July 1, 2017	<u>3,296,701</u>	<u>1,885,215</u>		<u>612,015</u>
Net position at June 30, 2018	<u><b>\$ 3,194,379</b></u>	<u><b>\$ 1,951,236</b></u>		<u><b>\$ 664,897</b></u>
Adjustment for the net effect of the current year activities between the internal service fund and the enterprise funds			<u>8,831</u>	
Change in net position of business-type activities			<u><b>\$ (27,470)</b></u>	

The accompanying notes are an integral part of this statement.

City of Newaygo  
**STATEMENT OF CASH FLOWS**  
Proprietary Funds  
For the year ended June 30, 2018

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>	<b>Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 500,410	\$ 620,470	\$ 1,120,880	\$ -
Receipts from interfund services provided	2,570	9,991	12,561	217,081
Payments to suppliers	(128,064)	(126,928)	(254,992)	(86,133)
Payments to employees	(196,003)	(184,329)	(380,332)	(19,858)
Payment for interfund services used	(32,733)	(41,646)	(74,379)	(8,000)
Net cash provided by operating activities	146,180	277,558	423,738	103,090
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(206,437)	(5,500)	(211,937)	(202,976)
Capital contributions	-	9,790	9,790	-
Connection fees	3,805	64,612	68,417	-
Principal paid on capital debt	(21,000)	(76,000)	(97,000)	(4,724)
Interest paid on capital debt	(46,516)	(114,516)	(161,032)	-
Proceeds from sale of capital assets	-	-	-	58,100
Net cash used for capital and related financing activities	(270,148)	(121,614)	(391,762)	(149,600)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Investment earnings	2,027	3,397	5,424	1,303
Net increase (decrease) in cash and investments	(121,941)	159,341	37,400	(45,207)
Cash and investments at July 1, 2017	462,027	582,626	1,044,653	331,545
Cash and investments at June 30, 2018	<b>\$ 340,086</b>	<b>\$ 741,967</b>	<b>\$ 1,082,053</b>	<b>\$ 286,338</b>
Reconciliation of cash and investments to the Statement of Net Position				
Cash and investments	\$ 162,795	\$ 388,885	\$ 551,680	\$ 286,338
Restricted cash and investments	177,291	353,082	530,373	-
	<b>\$ 340,086</b>	<b>\$ 741,967</b>	<b>\$ 1,082,053</b>	<b>\$ 286,338</b>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (62,020)	\$ 101,838	\$ 39,818	\$ 34,799
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation expense	209,849	189,345	399,194	66,340
Change in assets and liabilities				
Accounts receivable	288	508	796	-
Prepaid items	-	670	670	-
Accounts payable	(1,722)	(14,651)	(16,373)	1,951
Accrued liabilities	(215)	(152)	(367)	-
Net cash provided by operating activities	<b>\$ 146,180</b>	<b>\$ 277,558</b>	<b>\$ 423,738</b>	<b>\$ 103,090</b>

The accompanying notes are an integral part of this statement.



City of Newaygo  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
 Fiduciary Funds  
 June 30, 2018

	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and investments	\$ 42,110
Total assets	<b>\$ 42,110</b>
 <b>LIABILITIES</b>	
Due to other governmental units	\$ 1,395
Deposits held for others	40,715
Total liabilities	<b>\$ 42,110</b>

The accompanying notes are an integral part of this statement.

City of Newaygo  
**STATEMENT NET POSITION**  
Discretely Presented Component Units  
June 30, 2018

	<b>Tax Increment Finance Authority</b>	<b>Local Development Finance Authority</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets			
Cash and investments	\$ 875,895	\$ 370,708	\$ 1,246,603
Receivables	7,509	-	7,509
Total current assets	883,404	370,708	1,254,112
Noncurrent assets			
Restricted cash and investments	1,691	-	1,691
Capital assets, net			
Nondepreciable	145,733	-	145,733
Depreciable	2,282,130	-	2,282,130
Net capital assets	2,427,863	-	2,427,863
Total noncurrent assets	2,429,554	-	2,429,554
Total assets	3,312,958	370,708	3,683,666
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	88,702	10,169	98,871
Bonds and other obligations, due within one year	543,234	-	543,234
Total current liabilities	631,936	10,169	642,105
Noncurrent liabilities			
Bonds and other obligations, less amounts due within one year	1,620,806	-	1,620,806
Total liabilities	2,252,742	10,169	2,262,911
<b>NET POSITION</b>			
Net investment in capital assets	263,823	-	263,823
Unrestricted	796,393	360,539	1,156,932
Total net position	<b>\$ 1,060,216</b>	<b>\$ 360,539</b>	<b>\$ 1,420,755</b>

The accompanying notes are an integral part of this statement.

City of Newaygo  
**STATEMENT OF ACTIVITIES**  
Discretely Presented Component Units  
For the year ended June 30, 2018

<u>Functions/Programs</u>	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Tax Increment Finance Authority	Local Development Finance Authority	Total
Tax Increment Finance Authority						
General government	\$ 191,353	\$ -	\$ -	\$ (191,353)	\$ -	\$ (191,353)
Public works	296,403	-	-	(296,403)	-	(296,403)
Community and economic development	662,523	61,671	42,840	(558,012)	-	(558,012)
Distributions to other taxing authorities	564,235	-	-	(564,235)	-	(564,235)
Interest on long-term debt	123,135	-	-	(123,135)	-	(123,135)
Total Tax Increment Finance Authority	1,837,649	61,671	42,840	(1,733,138)	-	(1,733,138)
Local Development Finance Authority						
General government	10,000	-	-	-	(10,000)	(10,000)
Community and economic development	10,502	-	-	-	(10,502)	(10,502)
Distributions to other taxing authorities	137,681	-	-	-	(137,681)	(137,681)
Total Local Development Finance Authority	158,183	-	-	-	(158,183)	(158,183)
Total discretely presented component units	<b>\$ 1,995,832</b>	<b>\$ 61,671</b>	<b>\$ 42,840</b>	(1,733,138)	(158,183)	(1,891,321)
General revenues						
Property taxes				1,611,820	250,607	1,862,427
Grants and contributions not restricted to specific programs				286,962	-	286,962
Unrestricted investment earnings				5,716	1,940	7,656
Total general revenues				1,904,498	252,547	2,157,045
Change in net position				171,360	94,364	265,724
Net position at July 1, 2017				888,856	266,175	1,155,031
Net position at June 30, 2018				<b>\$ 1,060,216</b>	<b>\$ 360,539</b>	<b>\$ 1,420,755</b>

The accompanying notes are an integral part of this statement.

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**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, 2018

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

The Sewer Fund operates the City's sewer system.

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

Additionally, the City reports the following fund types:

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

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

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

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**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, 2018

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

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

***Cash and Investments***

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

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

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

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

***Inventories and Prepaid Items***

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

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

***Restricted Assets***

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

***Capital Assets***

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

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

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

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2018

**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:

<b>Capital Asset Classes</b>	<b>Years</b>
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, 2018

**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, 2018

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

**Revenues and Expenditures/Expenses—Continued**

***Property Taxes—Continued***

The 2017 state taxable value for real/personal property of the City totaled approximately \$53,800,000 of which approximately \$38,400,000 was captured by the component units. The ad valorem taxes levied consisted of 17.75 mills for the City's operating purposes. This amount is recognized in the General Fund with the capture amounts shown in the TIFA and LDFA component units.

***Compensated Absences***

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**Budgetary Information**

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

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

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

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2018

**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, 2018, \$3,307,507 of the City's bank balance of \$3,814,312 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, 2018, cash and investments in the enterprise funds and TIFA component unit are restricted as follows:

**Business-type activities**

Water Fund

Bond and interest redemption	\$ 147,231
Repair and replacement	205,851
	353,082

Sewer Fund

Bond reserve	75,864
Repair and replacement	101,427
	177,291

**\$ 530,373**

**Component units**

TIFA

Bond interest and redemption	\$ 1,691
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City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2018

**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, 2018 was as follows:

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2018</b>
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 605,572	\$ -	\$ 5,000	\$ 600,572
<b>Capital assets, being depreciated:</b>				
Land improvements	1,543,377	6,003	-	1,549,380
Buildings and improvements	1,537,164	5,585	-	1,542,749
Furniture, vehicles and equipment	1,172,899	218,330	114,673	1,276,556
Infrastructure	6,220,441	293,710	-	6,514,151
Shared improvements	1,824,584	-	-	1,824,584
Total capital assets, being depreciated	12,298,465	523,628	114,673	12,707,420
<b>Less accumulated depreciation:</b>				
Land improvements	1,121,783	49,386	-	1,171,169
Buildings and improvements	848,921	43,125	-	892,046
Furniture, vehicles and equipment	789,965	80,287	73,353	796,899
Infrastructure	4,265,408	258,123	-	4,523,531
Shared improvements	1,540,918	121,639	-	1,662,557
Total accumulated depreciation	8,566,995	552,560	73,353	9,046,202
Total capital assets, being depreciated, net	3,731,470	(28,932)	41,320	3,661,218
Capital assets, net	<b>\$ 4,337,042</b>	<b>\$ (28,932)</b>	<b>\$ 46,320</b>	<b>\$ 4,261,790</b>

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**NOTE D—CAPITAL ASSETS—Continued**

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2018</b>
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 429,500	\$ -	\$ -	\$ 429,500
Construction in progress	20,800	194,834	-	215,634
Total capital assets, not being depreciated	450,300	194,834	-	645,134
<b>Capital assets, being depreciated:</b>				
Sewer system	7,429,674	11,603	-	7,441,277
Water system	8,051,872	5,500	-	8,057,372
Equipment	266,368	-	-	266,368
Total capital assets, being depreciated	15,747,914	17,103	-	15,765,017
<b>Less accumulated depreciation:</b>				
Sewer system	3,940,636	209,849	-	4,150,485
Water system	2,600,840	188,383	-	2,789,223
Equipment	262,681	962	-	263,643
Total accumulated depreciation	6,804,157	399,194	-	7,203,351
Total capital assets, being depreciated, net	8,943,757	(382,091)	-	8,561,666
Capital assets, net	<b>\$ 9,394,057</b>	<b>\$ (187,257)</b>	<b>\$ -</b>	<b>\$ 9,206,800</b>

**Depreciation**

Depreciation expense has been charged to functions as follows:

**Governmental activities:**

General government	\$ 31,610
Public safety	6,107
Public works	425,746
Culture and recreation	22,757
Internal Service Fund depreciation is charged to the various programs based on their usage of the assets	66,340
	<b>\$ 552,560</b>

**Business-type activities:**

Sewer	\$ 209,849
Water	189,345
	<b>\$ 399,194</b>

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**NOTE D—CAPITAL ASSETS—Continued**

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2018</b>
<b>Component units:</b>				
<b>Capital assets, not being depreciated:</b>				
Tax Increment Finance Authority				
Land	\$ 145,733	\$ -	\$ -	\$ 145,733
<b>Capital assets, being depreciated:</b>				
Tax Increment Finance Authority				
Building and improvements	9,641,654	-	-	9,641,654
<b>Less accumulated depreciation:</b>				
Tax Increment Finance Authority				
Buildings and improvements	6,895,434	464,090	-	7,359,524
Total capital assets, being depreciated, net	2,746,220	(464,090)	-	2,282,130
Capital assets, net	<b>\$ 2,891,953</b>	<b>\$ (464,090)</b>	<b>\$ -</b>	<b>\$ 2,427,863</b>

**Depreciation**

Depreciation expense has been charged to functions as follows:

Community and economic development	<b>\$ 464,090</b>
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**NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund transfers as of June 30, 2018 is as follows:

**Interfund transfers:**

	<b>Transfers in:</b>
	<b>Other</b>
	<b>Governmental</b>
	<b>Funds</b>
<b>Transfers out:</b>	
Major Streets Fund	\$ 10,000

The transfers were an operational subsidy.

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2018

**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, 2018:

	<u>Governmental Activities</u>
<b>Capital activities</b>	
TIFA	\$ 263,957
<b>Operating activities</b>	
TIFA	32,000
LDFA	10,000
	<u><u>\$ 305,957</u></u>

**NOTE F—LONG-TERM DEBT**

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

The following is a summary of long-term liabilities activity for the City for the year ended June 30, 2018:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Special assessment bonds	\$ 35,000	\$ -	\$ 35,000	\$ -	\$ -
Capital lease	-	15,353	4,724	10,629	4,724
Compensated absences	44,072	41,203	33,584	51,691	10,000
Governmental activities long-term liabilities	<u>\$ 79,072</u>	<u>\$ 56,556</u>	<u>\$ 73,308</u>	<u>\$ 62,320</u>	<u>\$ 14,724</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 5,273,000	\$ -	\$ 97,000	\$ 5,176,000	\$ 100,000
Compensated absences	25,748	20,753	21,120	25,381	25,381
Business-type activities long-term liabilities	<u>\$ 5,298,748</u>	<u>\$ 20,753</u>	<u>\$ 118,120</u>	<u>\$ 5,201,381</u>	<u>\$ 125,381</u>
<b>Component units:</b>					
Tax Increment Bonds	\$ 2,689,873	\$ -	\$ 507,505	\$ 2,182,368	\$ 543,234
Discount	(19,921)	-	(1,593)	(18,328)	-
Component units long-term liabilities	<u>\$ 2,669,952</u>	<u>\$ -</u>	<u>\$ 505,912</u>	<u>\$ 2,164,040</u>	<u>\$ 543,234</u>

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2018

**NOTE F—LONG-TERM DEBT—Continued**

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

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
<b>Governmental activities:</b>			
Capital lease	0.0%	August 2020	\$ 10,629
			<u>\$ 10,629</u>
<b>Business-type activities:</b>			
<b>Revenue bonds:</b>			
2003 Sanitary Sewer System Bonds	4.25%	August 2043	\$ 1,084,000
2003 Water Supply System Bonds	4.25%	August 2043	1,247,000
2013 Water Supply System Bonds	2.125%	August 2053	2,845,000
			<u>\$ 5,176,000</u>
<b>Component units:</b>			
<b>Limited tax development:</b>			
1994 Tax Increment Bonds (Series A) variable formula, currently	2.30%	March 2020	\$ 617,368
2010 Tax Increment Bonds	5.50-7%	October 2029	1,565,000
			<u>\$ 2,182,368</u>

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

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

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

The City was in compliance in all material respects with all the revenue bond ordinances at June 30, 2018.



City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2018

**NOTE F—LONG-TERM DEBT—Continued**

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

Annual debt service requirements to maturity for debt outstanding as of June 30, 2018 follow:

Year Ending June 30,	Governmental Activities		Business-type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 4,724	\$ -	\$ 100,000	\$ 157,961	\$ 543,234	\$ 113,902
2020	4,724	-	104,000	154,775	259,134	98,565
2021	1,181	-	108,000	151,449	100,000	89,230
2022	-	-	111,000	147,997	105,000	83,180
2023	-	-	114,000	144,436	115,000	76,465
2024-2028	-	-	637,000	663,466	700,000	255,205
2029-2033	-	-	756,000	550,566	360,000	26,075
2034-2038	-	-	902,000	413,481	-	-
2039-2043	-	-	1,080,000	246,329	-	-
2044-2048	-	-	628,000	96,326	-	-
2049-2053	-	-	523,000	40,279	-	-
2054	-	-	113,000	1,201	-	-
	<b>\$ 10,629</b>	<b>\$ -</b>	<b>\$ 5,176,000</b>	<b>\$ 2,768,266</b>	<b>\$ 2,182,368</b>	<b>\$ 742,622</b>

**NOTE G—OTHER INFORMATION**

**Risk Management**

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

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

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**NOTE G—OTHER INFORMATION—Continued**

**Risk Management—Continued**

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

**Contingent Liabilities**

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

**Leases**

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

**Jointly Governed Organizations**

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

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

**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 2018, the City's total contribution was approximately \$25,500, and the employee contributions were approximately \$6,400.

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**NOTE H—PENSION PLANS—Continued**

**Defined Contribution Plans—Continued**

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 2018, the City's total contribution was approximately \$35,700, and the employee contributions were approximately \$8,900.

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, 2018, 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, 2018, the City's contribution to the plan was approximately \$16,500.

**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).

**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 25 percent of the General Fund's revenues.

**Tax Increment Finance Authority**

The TIFA has a significant economic dependency on a local corporation that is a major employer and taxpayer in the area. The TIFA receives approximately 27 percent of its property tax revenues from this company.

City of Newaygo  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

**NOTE J—SUBSEQUENT EVENTS**

In September 2018, the City entered into contracts for a sewer system project of approximately \$6,100,000. The project will be paid with federal grants of approximately \$3,600,000 and loans to the Sewer fund of approximately \$2,500,000.

In October 2018, the City entered into agreements related to facade renovations for two buildings in the downtown. These expenditures will be paid out of a special revenue fund and financed with grants of approximately \$990,000 and private contributions of approximately \$1,120,000.

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Newaygo  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
General Fund  
For the year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget- Positive (Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 284,731	\$ 284,731	\$ 279,056	\$ (5,675)
Licenses and permits	23,200	23,200	22,312	(888)
Intergovernmental revenues				
State	179,600	189,600	192,891	3,291
Local	369,500	369,500	370,600	1,100
Charges for services	209,100	209,100	209,338	238
Fines and forfeitures	21,000	21,000	12,755	(8,245)
Investment earnings	7,500	7,500	7,587	87
Other	31,600	31,600	38,014	6,414
Total revenues	<u>1,126,231</u>	<u>1,136,231</u>	<u>1,132,553</u>	<u>(3,678)</u>
<b>EXPENDITURES</b>				
Current				
General government				
City Council	20,808	28,608	26,285	2,323
City manager	41,948	41,948	40,118	1,830
Elections	5,950	5,950	3,441	2,509
Board of review	1,275	1,275	900	375
Clerk	32,115	30,102	27,595	2,507
Treasurer	35,076	35,776	34,008	1,768
Assessor	26,000	26,000	24,892	1,108
Attorney	21,000	35,800	33,355	2,445
City offices	88,321	88,321	84,252	4,069
Cemetery	64,935	64,935	62,059	2,876
Public safety				
Law enforcement	425,914	478,714	466,979	11,735
Public works	201,255	208,251	195,723	12,528
Community and economic development				
Planning	16,750	16,750	10,521	6,229
Culture and recreation				
Parks	99,348	99,348	91,624	7,724
Other governmental functions	36,400	36,400	36,145	255
Capital outlay	7,000	7,000	5,585	1,415
Total expenditures	<u>1,124,095</u>	<u>1,205,178</u>	<u>1,143,482</u>	<u>61,696</u>
Excess of revenues over (under) expenditures	2,136	(68,947)	(10,929)	58,018
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	124,000	124,950	950
Transfers out	(2,000)	(2,000)	-	2,000
Total other financing sources (uses)	<u>(2,000)</u>	<u>122,000</u>	<u>124,950</u>	<u>2,950</u>
Net change in fund balance	<u>\$ 136</u>	<u>\$ 53,053</u>	114,021	<u>\$ 60,968</u>
Fund balance at July 1, 2017			<u>534,100</u>	
Fund balance at June 30, 2018			<u>\$ 648,121</u>	

City of Newaygo  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
Major Streets Fund  
For the year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenues				
State	\$ 183,000	\$ 200,000	\$ 202,632	\$ 2,632
Charges for services	200	5,000	5,582	582
Investment earnings	500	500	1,596	1,096
	<hr/>			
Total revenues	183,700	205,500	209,810	4,310
<b>EXPENDITURES</b>				
Current				
Public works	158,068	158,993	104,269	54,724
	<hr/>			
Excess of revenues over expenditures	25,632	46,507	105,541	59,034
<b>OTHER FINANCING USES</b>				
Transfers out	(10,000)	(10,000)	(10,000)	-
	<hr/>			
Net change in fund balance	<u>\$ 15,632</u>	<u>\$ 36,507</u>	95,541	<u>\$ 59,034</u>
Fund balance at July 1, 2017			<u>285,192</u>	
Fund balance at June 30, 2018			<u><u>\$ 380,733</u></u>	

**OTHER SUPPLEMENTARY INFORMATION**



City of Newaygo  
**COMBINING BALANCE SHEET**  
 Other Governmental Funds  
 June 30, 2018

	<b>Total Other Governmental Funds</b>	<b>Special Revenue Funds</b>			<b>Debt Service Fund</b>
		<b>Local Streets</b>	<b>Principal Shopping District</b>	<b>Building Inspection</b>	<b>Downtown Parking Lot</b>
<b>ASSETS</b>					
Cash and investments	\$ 156,296	\$ 113,918	\$ 28,795	\$ 9,699	\$ 3,884
Due from other governmental units	11,662	11,662	-	-	-
Total assets	<b>\$ 167,958</b>	<b>\$ 125,580</b>	<b>\$ 28,795</b>	<b>\$ 9,699</b>	<b>\$ 3,884</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 2,706	\$ -	\$ 902	\$ 1,804	\$ -
<b>FUND BALANCES</b>					
Restricted					
Streets and highways	125,580	125,580	-	-	-
Debt service	3,884	-	-	-	3,884
Shopping district	27,893	-	27,893	-	-
Building inspection	7,895	-	-	7,895	-
Total fund balances	165,252	125,580	27,893	7,895	3,884
Total liabilities and fund balances	<b>\$ 167,958</b>	<b>\$ 125,580</b>	<b>\$ 28,795</b>	<b>\$ 9,699</b>	<b>\$ 3,884</b>

City of Newaygo  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
 Other Governmental Funds  
 For the year ended June 30, 2018

	<b>Total Other Governmental Funds</b>	<b>Special Revenue Funds</b>			<b>Debt Service Fund</b>
		<b>Local Streets</b>	<b>Principal Shopping District</b>	<b>Building Inspection</b>	<b>Downtown Parking Lot</b>
<b>REVENUES</b>					
Intergovernmental revenues					
State	\$ 98,608	\$ 98,608	\$ -	\$ -	\$ -
Charges for services	60,708	1,238	42,380	17,090	-
Investment earnings	659	498	161	-	-
Total revenues	159,975	100,344	42,541	17,090	-
<b>EXPENDITURES</b>					
Current					
Public works	144,626	103,191	41,435	-	-
Community and economic development	16,178	-	-	16,178	-
Debt service					
Principal	35,000	-	-	-	35,000
Interest and fees	1,972	-	-	-	1,972
Total expenditures	197,776	103,191	41,435	16,178	36,972
Excess of revenues over (under) expenditures	(37,801)	(2,847)	1,106	912	(36,972)
<b>OTHER FINANCING SOURCES</b>					
Transfers in	10,000	10,000	-	-	-
Net change in fund balances	(27,801)	7,153	1,106	912	(36,972)
Fund balances at July 1, 2017	193,053	118,427	26,787	6,983	40,856
Fund balances at June 30, 2018	<b>\$ 165,252</b>	<b>\$ 125,580</b>	<b>\$ 27,893</b>	<b>\$ 7,895</b>	<b>\$ 3,884</b>

City of Newaygo  
**COMBINING STATEMENT OF ASSETS AND LIABILITIES**  
 Agency Funds  
 June 30, 2018

	<u>Total Agency Funds</u>	<u>Tax Collection</u>	<u>Joint Maintenance City/Library</u>	<u>Newaygo Community Recreation Authority</u>
<b>ASSETS</b>				
Cash and investments	\$ 42,110	\$ 1,395	\$ 10,000	\$ 30,715
Total assets	<b>\$ 42,110</b>	<b>\$ 1,395</b>	<b>\$ 10,000</b>	<b>\$ 30,715</b>
<b>LIABILITIES</b>				
Due to other governmental units	\$ 1,395	\$ 1,395	\$ -	\$ -
Deposits held for others	40,715	-	10,000	30,715
Total liabilities	<b>\$ 42,110</b>	<b>\$ 1,395</b>	<b>\$ 10,000</b>	<b>\$ 30,715</b>