

City of Newaygo
Newaygo County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

June 30, 2024



City of Newaygo

TABLE OF CONTENTS

Independent Auditor’s Report..... 1

Management’s Discussion and Analysis..... 4

Basic Financial Statements

 Government-wide Financial Statements

 Statement of Net Position..... 13

 Statement of Activities 14

 Fund Financial Statements

 Governmental Funds

 Balance Sheet..... 15

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

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

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

 Proprietary Funds

 Statement of Net Position..... 19

 Statement of Revenues, Expenses and Changes in Net Position 20

 Statement of Cash Flows..... 21

 Fiduciary Funds

 Statement of Net Position..... 22

 Statement of Changes in Net Position..... 23

Component Units

 Statement of Net Position..... 24

 Statement of Activities 25

Notes to Financial Statements 26

Required Supplementary Information

 Budgetary Comparison Schedule—General Fund..... 44

 Budgetary Comparison Schedule—Major Streets Fund..... 45

Other Supplementary Information

 Other Governmental Funds

 Combining Balance Sheet 47

 Combining Statement of Revenues, Expenditures and Changes in
 Fund Balances 48



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2024, and the related notes to the financial statements, which collectively comprise the City of Newaygo, Michigan's basic financial statements as listed in the table of contents.

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, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Newaygo, Michigan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Newaygo, Michigan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Honorable Mayor and Members
of the City Council
City of Newaygo
Page 2

Report on the Audit of the Financial Statements—Continued

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Newaygo, Michigan’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Newaygo, Michigan’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Honorable Mayor and Members
of the City Council
City of Newaygo
Page 3

Report on the Audit of the Financial Statements—Continued

Supplementary 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 accompanying combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2024, 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, Michigan’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Newaygo, Michigan’s internal control over financial reporting and compliance.



Muskegon, Michigan
October 22, 2024

CITY OF NEWAYGO, MICHIGAN

Management's Discussion and Analysis

The City Manager and staff of the City of Newaygo present to the readers of the City's financial statements this overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2024. 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, 2024 include the following:

- The City completed various paving or repair projects on several streets, drives, and lots during the year for approximately \$310,000. Repairs included an epoxy coat on the Bridge St. bridge.
- Some vehicles and equipment were purchased totaling approximately \$160,000. Some used or obsolete equipment was sold. Proceeds from the sales totaled approximately \$80,000.
- The General Fund fund balance increased by approximately \$40,000 for the year mostly due to less than expected expenditures for the year.
- Water system design work of approximately \$60,000 was completed during the year. The design work relates to new water service lines throughout town and a new water main on W. Water St.
- Regarding the sewer system, approximately \$165,000 was spent to upgrade an old lift station on M82 near Edgeview apartments.
- In order to create a focal point and pocket park in the center of downtown Newaygo to enhance the function and beauty of the area, the City acquired land/building at 8 W. State Rd for approximately \$270,000. A new metal roof was installed on the old powerhouse building in Riverfront Park for approximately \$120,000, which was entirely paid for by grant funds. Sidewalk design and construction work totaled approximately \$55,000.

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.

Management's Discussion and Analysis

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 statements of net position and statement of change in net position. 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 major funds.

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, 2024, the City's net position from governmental activities totaled approximately \$7,126,000 and \$9,497,000 from business-type activities, creating a total government-wide net position total of approximately \$16,623,000.

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 \$4,234,000. Restricted net position, those restricted mainly for streets and highways, debt service, and capital projects were approximately \$1,432,000. The unrestricted net position for governmental-type activities is approximately \$1,460,000. 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, capital assets increased due to current year capital asset additions exceeding depreciation.

CITY OF NEWAYGO, MICHIGAN

Management's Discussion and Analysis

For business activities, current assets and other assets increased primarily due to building cash reserves in preparation for a water system project. Capital assets decreased due to current year depreciation exceeding capital asset additions.

Net position (in thousands) as of June 30, 2024 follows:

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Current assets and other assets	\$ 3,460	\$ 3,469	\$ 2,527	\$ 2,083	\$ 5,987	\$ 5,552
Capital assets	4,235	3,838	14,249	14,523	18,484	18,361
Total assets	7,695	7,307	16,776	16,606	24,471	23,913
Current liabilities	150	166	423	395	573	561
Noncurrent liabilities	14	15	6,856	7,076	6,870	7,091
Deferred inflows	405	442	-	-	405	442
Total liabilities and deferred inflows	569	623	7,279	7,471	7,848	8,094
Net position						
Net investment in capital assets	4,234	3,832	7,088	7,246	11,322	11,078
Restricted	1,432	1,471	704	589	2,136	2,060
Unrestricted	1,460	1,381	1,705	1,300	3,165	2,681
Total net position	\$ 7,126	\$ 6,684	\$ 9,497	\$ 9,135	\$ 16,623	\$ 15,819

Changes in Net Position

Governmental Activities

Regarding revenues, charges for services increased due to more cemetery lot sales, more reimbursements, and more revenue for school resource officer from local units. Operating grants and contributions increased primarily due to increased state contributions for school resource officer and a state grant for repaving Croton Rd. Capital grants and contributions increased primarily due to more grant funds received for public works projects (i.e. roads and buildings). Grants and contributions not restricted increased primarily due to larger distributions from component units (TIFA and LDFA).

Regarding expenses, general government increased mostly due to more legal expenses and a public safety study. Public safety increased due to more wages, technology, and training costs. Public works increased due sidewalk design work and higher road maintenance expenses. Culture and recreation increased due to more activity and maintenance in the parks.

CITY OF NEWAYGO, MICHIGAN

Management's Discussion and Analysis

Business-Type Activities

Regarding revenues, capital grants and contributions increased due to contributions from component units and more connection fees.

Sewer expenses did not have a significant change. Water expenses decreased primarily due to completion of a project to inventory water service lines in the prior year.

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

	Governmental Activities		Business Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues						
Charges for services	\$ 408	\$ 366	\$ 1,303	\$ 1,315	\$ 1,711	\$ 1,681
Operating grants and contributions	689	507	-	-	689	507
Capital grants and contributions	443	275	472	183	915	458
General revenues						
Property taxes	348	325	-	-	348	325
Franchise fees	14	17	-	-	14	17
Grants and contributions not restricted	777	729	-	-	777	729
Unrestricted investment earnings	90	67	77	36	167	103
Other	76	83	-	-	76	83
Total revenues	2,845	2,369	1,852	1,534	4,697	3,903
Expenses:						
General government	559	461	-	-	559	461
Public safety	736	629	-	-	736	629
Public works	820	706	-	-	820	706
Community and economic development	74	60	-	-	74	60
Culture and recreation	214	177	-	-	214	177
Sewer	-	-	745	764	745	764
Water	-	-	745	874	745	874
Total expenses	2,403	2,033	1,490	1,638	3,893	3,671
Change in net position	442	336	362	(104)	804	232
Net position - Beginning	6,684	6,348	9,135	9,239	15,819	15,587
Net position - Ending	\$ 7,126	\$ 6,684	\$ 9,497	\$ 9,135	\$ 16,623	\$ 15,819

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, 2024, the City governmental funds reported a combined fund balance of \$2,417,268. This number represents the fund balance of \$985,309 in the General Fund and \$1,431,959 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 \$42,453.

Enterprise Funds

The City's Enterprise funds provide the same type of information found in the government-wide 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, 2024, unrestricted net position of the Sewer Fund and Water Fund were \$702,007 and \$929,613 respectively.

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

Component Units

TIFA finances many of the City's infrastructure projects through property tax revenues and debt issuance, but TIFA normally does not own any of the improvements. The TIFA had an increase in net position of \$126,418. TIFA continues to assist the City with various infrastructure projects. TIFA also owns and operates a facility that serves as a co-working & office space, business incubator, and economic development hub for the area. TIFA debt was refinanced at an interest rate of 1.85% in fiscal year ended June 30, 2020 and is scheduled to be paid off by 2030. Prior interest rates were as high as 7%.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council made some budget amendments to the General Fund budget. Revenue amendments primarily related to increased state and component unit grants, more charges for services, higher than expected interest, greater material sales, cemetery lot sales, and reimbursements. For expenses, amendments related to a public safety study, increased legal and personnel costs, an economic development project, and improvements/activity in public works and parks.

The final amended budget to actual showed some budget variances. Regarding revenues, more than expected contributions from local units were received as well as reimbursements. Regarding expenditures, City offices, cemetery, and public works expenses were less than expected due to lower activity.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2024, the City had \$18,484,381, net of depreciation, invested in a broad range of capital assets including land, buildings, public safety equipment, roads, parks and water and sewer infrastructure. This represents an increase of \$123,166 from last year. This increase was primarily the result of capital asset additions exceeding depreciation. The City had a number of capital asset additions during the year including, but not limited to, street paving, and purchase of vehicles and equipment.

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Land	\$ 527,102	\$ 425,690	\$ 429,500	\$ 429,500	\$ 956,602	\$ 855,190
Land improvements	148,880	177,727	-	-	148,880	177,727
Building and improvements	754,458	463,851	-	-	754,458	463,851
Furniture, vehicles and equipment	522,819	541,096	28,041	30,873	550,860	571,969
Infrastructure	2,282,217	2,229,971	13,535,010	14,032,507	15,817,227	16,262,478
Construction in progress	-	-	256,354	30,000	256,354	30,000
Total	\$ 4,235,476	\$ 3,838,335	\$ 14,248,905	\$ 14,522,880	\$ 18,484,381	\$ 18,361,215

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

Long-Term Debt

At June 30, 2024, the City had \$7,162,910 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.

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenue bonds	\$ -	\$ -	\$ 6,823,000	\$ 7,006,000	\$ 6,823,000	\$ 7,006,000
General obligation bonds	-	-	242,000	271,000	242,000	271,000
Capital lease	1,309	6,533	-	-	1,309	6,533
Compensated absences	66,216	58,980	30,385	33,256	96,601	92,236
Total	\$ 67,525	\$ 65,513	\$ 7,095,385	\$ 7,310,256	\$ 7,162,910	\$ 7,375,769

In addition to the City’s debt, the TIFA component unit had outstanding long-term debt totaling \$900,000. The debt is for a building owned by TIFA that serves as a business incubator, co-working & office space, and economic development hub. Debt issued by the component unit is typically secured by the limited full faith and credit of the City and so it is an important consideration in assessing the City’s overall fiscal health.

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

GENERAL ECONOMIC OVERVIEW

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

Local Property Tax

The current 2024-25 City budget maintains the existing City millage rate of 17.75. The City continues to evaluate the City millage amount as part of an on-going effort by the City Council and staff to levy an appropriate tax that generates revenues sufficient to cover community operations and projects, and promote economic growth. The property tax values for real property are expected to rise due to high inflation and increased economic activity and continued high demand for housing.

The City of Newaygo in partnership with The Right Place, Inc. continues 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. Several new houses have been completed that will add to the City's tax revenue. A broadband company built a facility in the City's industrial park and an office building was completed on M37 which creates more jobs for the area and generates new tax revenue. Looking forward, a restaurant downtown and some new homes and apartments are expected during the next year. Besides promotion, the City continues to work on beautification of structures and spaces. The downtown social zone is also being expanded and a pocket park is proposed for the corner of M37 and Quarterline Rd. These will generate more economic activity for the community. In addition, the Stream Building is an innovative office complex located in downtown Newaygo. It is a multi-purpose facility with various working environments. It serves as a business incubator, co-working and remote work space, and a talent development center with staff focused on economic development. This facility will encourage economic growth for the community through education, job creation, and allowing people to remain in the community to work and recreate. These items will influence the need for housing and commercial property which will affect local property tax revenues. Positive results have been seen as approximately 200 new dwelling units have been built in town over the last couple years. More dwelling units are expected in the coming years.

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. The 2020 census showed an increase in the City population by approximately 500 people. With new housing continuing to be built in the City, population is expected to increase thereby resulting in more revenue for the City. Revenues have increased the last couple years. Recent inflation may affect the economy moving forward. 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 20% 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 and sidewalks 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 and electric vehicles becoming more popular. During the 2024-25 fiscal year, 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 partly with TIFA funds, since funding received from state fuel tax is not adequate to cover the costs of major repairs or new construction.

Water and Sewer Fees

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

In 2020 work was completed at the Wastewater Treatment Plant (WWTP) to replace lagoon liners that have reached the end of their life. Improvements to sewage lift stations and sewer mains/manholes were completed as well. The total project cost was approximately \$6.0 million. The City received assistance from the federal government (USDA Rural Development) to pay for the project.

In 2022, work was completed on new water mains to upgrade/replace old water mains along M37 between East St and Water St. Most of the project was paid for from fund balance. A portion (\$300,000) of the project is financed. The total project cost was approximately \$1,400,000.

In 2024, a water pressure booster station was upgraded to maintain better pressure to the many homes recently constructed in River Hills Estates. A backup generator was also added. In addition, an old sewer lift station on M82 near Edgeview apartments was modernized.

Looking forward, the City is preparing to replace approximately 250 water service lines throughout town and replace a water main on W. Wood St that is approximately 70-80 years old.

Miscellaneous

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

City of Newaygo
STATEMENT OF NET POSITION
June 30, 2024

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
ASSETS				
Current assets				
Cash and investments	\$ 3,000,193	\$ 1,521,939	\$ 4,522,132	\$ 956,553
Receivables				
Accounts	49,417	132,575	181,992	2,533
Leases	30,190	-	30,190	-
Due from other governmental units	119,918	-	119,918	-
Internal balances	(137,370)	137,370	-	-
Inventories	-	31,556	31,556	-
Total current assets	<u>3,062,348</u>	<u>1,823,440</u>	<u>4,885,788</u>	<u>959,086</u>
Noncurrent assets				
Restricted cash and investments	-	703,686	703,686	-
Leases receivable	398,021	-	398,021	-
Capital assets, net				
Nondepreciable	527,102	685,854	1,212,956	145,733
Depreciable	<u>3,708,374</u>	<u>13,563,051</u>	<u>17,271,425</u>	<u>1,507,156</u>
Total noncurrent assets	<u>4,633,497</u>	<u>14,952,591</u>	<u>19,586,088</u>	<u>1,652,889</u>
Total assets	<u>7,695,845</u>	<u>16,776,031</u>	<u>24,471,876</u>	<u>2,611,975</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	97,006	181,998	279,004	27,429
Due to other governmental units	-	1,335	1,335	-
Bonds and other obligations, due within one year	<u>53,309</u>	<u>239,800</u>	<u>293,109</u>	<u>140,000</u>
Total current liabilities	<u>150,315</u>	<u>423,133</u>	<u>573,448</u>	<u>167,429</u>
Noncurrent liabilities				
Bonds and other obligations, less amounts due within one year	<u>14,216</u>	<u>6,855,585</u>	<u>6,869,801</u>	<u>751,236</u>
Total liabilities	<u>164,531</u>	<u>7,278,718</u>	<u>7,443,249</u>	<u>918,665</u>
DEFERRED INFLOWS OF RESOURCES				
Related to leases	<u>405,037</u>	<u>-</u>	<u>405,037</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>569,568</u>	<u>7,278,718</u>	<u>7,848,286</u>	<u>918,665</u>
NET POSITION				
Net investment in capital assets	4,234,167	7,088,437	11,322,604	761,653
Restricted				
Streets and highways	1,091,536	-	1,091,536	-
Debt service	-	194,547	194,547	-
Capital projects	308,772	445,339	754,111	-
Shopping district	25,930	-	25,930	-
Building inspection	5,721	-	5,721	-
Unrestricted	<u>1,460,151</u>	<u>1,768,990</u>	<u>3,229,141</u>	<u>931,657</u>
Total net position	<u>\$ 7,126,277</u>	<u>\$ 9,497,313</u>	<u>\$ 16,623,590</u>	<u>\$ 1,693,310</u>

The accompanying notes are an integral part of this statement.

City of Newaygo
STATEMENT OF ACTIVITIES
For the year ended June 30, 2024

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 559,233	\$ 161,402	\$ 23,425	\$ -	\$ (374,406)	\$ -	\$ (374,406)	\$ -
Public safety	735,632	116,972	160,536	-	(458,124)	-	(458,124)	-
Public works	819,926	71,883	504,745	443,264	199,966	-	199,966	-
Community and economic development	74,251	48,227	-	-	(26,024)	-	(26,024)	-
Culture and recreation	214,254	9,676	-	-	(204,578)	-	(204,578)	-
Total governmental activities	2,403,296	408,160	688,706	443,264	(863,166)	-	(863,166)	-
Business-type activities								
Sewer	744,783	574,994	-	132,667	-	(37,122)	(37,122)	-
Water	743,530	728,084	-	339,336	-	323,890	323,890	-
Total business-type activities	1,488,313	1,303,078	-	472,003	-	286,768	286,768	-
Total primary government	\$ 3,891,609	\$ 1,711,238	\$ 688,706	\$ 915,267	(863,166)	286,768	(576,398)	-
Component units								
Tax Increment Finance Authority	\$ 1,630,093	\$ 149,599	\$ -	\$ -	-	-	-	(1,480,494)
Local Development Finance Authority	257,845	-	-	-	-	-	-	(257,845)
Total component units	\$ 1,887,938	\$ 149,599	\$ -	\$ -	-	-	-	(1,738,339)
General revenues								
Property taxes					347,763	-	347,763	1,448,848
Franchise fees					14,372	-	14,372	-
Grants and contributions not restricted to specific programs					777,367	-	777,367	316,196
Unrestricted investment earnings					90,160	76,604	166,764	79,863
Gain on sale of capital assets					31,907	-	31,907	-
Miscellaneous					44,002	-	44,002	-
Total general revenues					1,305,571	76,604	1,382,175	1,844,907
Change in net position					442,405	363,372	805,777	106,568
Net position at beginning of year					6,683,872	9,133,941	15,817,813	1,586,742
Net position at end of year					\$ 7,126,277	\$ 9,497,313	\$ 16,623,590	\$ 1,693,310

The accompanying notes are an integral part of this statement.

City of Newaygo
BALANCE SHEET
 Governmental Funds
 June 30, 2024

	General Fund	Major Streets Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 914,027	\$ 703,648	\$ 288,460	\$ 413,041	\$ 2,319,176
Accounts receivable	45,044	-	-	4,373	49,417
Due from other governmental units	51,658	51,405	-	16,855	119,918
Lease receivable	428,211	-	-	-	428,211
Total assets	\$ 1,438,940	\$ 755,053	\$ 288,460	\$ 434,269	\$ 2,916,722
LIABILITIES					
Accounts payable	\$ 18,489	\$ 23,158	\$ -	\$ 20,519	\$ 62,166
Accrued liabilities	30,105	814	-	1,332	32,251
Total liabilities	48,594	23,972	-	21,851	94,417
DEFERRED INFLOWS OF RESOURCES					
Related to leases	405,037	-	-	-	405,037
FUND BALANCES					
Restricted					
Streets and highways	-	731,081	-	360,455	1,091,536
Shopping district	-	-	-	25,930	25,930
Building inspection	-	-	-	5,721	5,721
Capital projects	-	-	288,460	20,312	308,772
Assigned—subsequent year's budget appropriations	45,080	-	-	-	45,080
Unassigned	940,229	-	-	-	940,229
Total fund balances	985,309	731,081	288,460	412,418	2,417,268
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,438,940	\$ 755,053	\$ 288,460	\$ 434,269	\$ 2,916,722

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, 2024

Total fund balances—governmental funds		\$ 2,417,268
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	\$10,894,895	
Accumulated depreciation	<u>(7,150,451)</u>	3,744,444
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		(66,216)
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	1,168,151	
Internal balances representing the cumulative difference between actual costs and amounts charged to business-type activities	<u>(137,370)</u>	<u>1,030,781</u>
Net position of governmental activities		<u>\$ 7,126,277</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, 2024

	General Fund	Major Streets Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 347,763	\$ -	\$ -	\$ -	\$ 347,763
Licenses and permits	25,095	-	-	-	25,095
Intergovernmental revenues					
Federal	3,116	-	-	-	3,116
State	388,634	386,372	121,814	105,127	1,001,947
Local	537,578	69,792	146,907	-	754,277
Charges for services	322,117	-	-	98,280	420,397
Fines and forfeitures	13,232	-	-	-	13,232
Investment earnings	39,935	20,584	-	10,966	71,485
Other	86,980	180	-	33,245	120,405
Total revenues	1,764,450	476,928	268,721	247,618	2,757,717
EXPENDITURES					
Current					
General government	526,935	-	-	-	526,935
Public safety	719,916	-	-	-	719,916
Public works	269,472	381,062	-	193,702	844,236
Community and economic development	23,846	-	-	50,405	74,251
Culture and recreation	175,535	-	-	-	175,535
Capital outlay	6,293	-	394,404	12,424	413,121
Total expenditures	1,721,997	381,062	394,404	256,531	2,753,994
Excess of revenues over (under) expenditures	42,453	95,866	(125,683)	(8,913)	3,723
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	20,000	20,000
Transfers out	-	(20,000)	-	-	(20,000)
Total other financing sources (uses)	-	(20,000)	-	20,000	-
Net change in fund balances	42,453	75,866	(125,683)	11,087	3,723
Fund balances at beginning of year	942,856	655,215	414,143	401,331	2,413,545
Fund balances at end of year	\$ 985,309	\$ 731,081	\$ 288,460	\$ 412,418	\$ 2,417,268

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, 2024

Net change in fund balances—total governmental funds \$ 3,723

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	\$ (370,396)	
Capital outlay	<u>772,806</u>	402,410

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		(7,236)
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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	40,502	
Change in internal balances representing the current year difference between actual costs and amounts charged to business-type activities	<u>3,006</u>	<u>43,508</u>

Change in net position of governmental activities		<u><u>\$ 442,405</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, 2024

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer	Water	Total	
ASSETS				
Current assets				
Cash and investments	\$ 670,102	\$ 851,837	\$ 1,521,939	\$ 681,016
Accounts receivable	54,878	77,697	132,575	-
Inventories	2,891	28,665	31,556	-
Total current assets	727,871	958,199	1,686,070	681,016
Noncurrent assets				
Restricted cash and investments	291,212	412,474	703,686	-
Capital assets				
Land	429,500	-	429,500	-
Utility systems	13,609,830	9,630,056	23,239,886	-
Vehicles and equipment	202,908	101,538	304,446	1,315,604
Construction in progress	168,957	87,397	256,354	-
Less accumulated depreciation	(5,898,642)	(4,082,639)	(9,981,281)	(824,572)
Net capital assets	8,512,553	5,736,352	14,248,905	491,032
Total noncurrent assets	8,803,765	6,148,826	14,952,591	491,032
Total assets	9,531,636	7,107,025	16,638,661	1,172,048
LIABILITIES				
Current liabilities				
Accounts payable	98,549	6,183	104,732	2,387
Accrued liabilities	35,570	41,696	77,266	201
Due to other governmental units	-	1,335	1,335	-
Bonds and other obligations, due within one year	91,300	148,500	239,800	1,309
Total current liabilities	225,419	197,714	423,133	3,897
Noncurrent liabilities				
Bonds and other obligations, less amounts due within one year	3,137,484	3,718,101	6,855,585	-
Total liabilities	3,362,903	3,915,815	7,278,718	3,897
NET POSITION				
Net investment in capital assets	5,205,514	1,882,923	7,088,437	489,723
Restricted				
Debt service	64,967	129,580	194,547	-
Capital projects	196,245	249,094	445,339	-
Unrestricted	702,007	929,613	1,631,620	678,428
Total net position	\$ 6,168,733	\$ 3,191,210	9,359,943	\$ 1,168,151
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			137,370	
Net position of business type activities			\$ 9,497,313	

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, 2024

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer	Water	Total	
OPERATING REVENUES				
Charges for services	\$ 573,589	\$ 712,851	\$ 1,286,440	\$ 308,476
OPERATING EXPENSES				
Administration	105,114	132,972	238,086	-
Operations	292,098	301,516	593,614	204,353
Depreciation	273,614	226,715	500,329	114,203
Total operating expenses	<u>670,826</u>	<u>661,203</u>	<u>1,332,029</u>	<u>318,556</u>
Operating income (loss)	(97,237)	51,648	(45,589)	(10,080)
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	35,001	41,602	76,603	18,675
Other revenues	81,925	305,233	387,158	-
Gain on sale of capital assets	-	-	-	31,907
Interest expense	(72,432)	(80,845)	(153,277)	-
Total nonoperating revenue (expenses)	<u>44,494</u>	<u>265,990</u>	<u>310,484</u>	<u>50,582</u>
Income (loss) before contributions	(52,743)	317,638	264,895	40,502
Capital contributions	52,147	49,336	101,483	-
Change in net position	(596)	366,974	366,378	40,502
Net position at beginning of year	<u>6,169,329</u>	<u>2,824,236</u>		<u>1,127,649</u>
Net position at end of year	<u>\$ 6,168,733</u>	<u>\$ 3,191,210</u>		<u>\$ 1,168,151</u>
Adjustment for the net effect of the current year activities between the internal service fund and the enterprise funds			<u>(3,006)</u>	
Change in net position of business-type activities			<u>\$ 363,372</u>	

The accompanying notes are an integral part of this statement.

City of Newaygo
STATEMENT OF CASH FLOWS
Proprietary Funds
For year end June 30, 2024

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer	Water	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 572,860	\$ 727,588	\$ 1,300,448	\$ -
Receipts from interfund services provided	2,768	8,567	11,335	308,476
Payments to suppliers	(163,311)	(152,331)	(315,642)	(167,939)
Payments to employees	(204,096)	(222,606)	(426,702)	(28,052)
Payment for interfund services used	(59,282)	(63,857)	(123,139)	(8,750)
Net cash provided by (used for) operating activities	148,939	297,361	446,300	103,735
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(77,917)	(93,869)	(171,786)	(158,760)
Capital contributions	134,072	354,569	488,641	-
Principal paid on capital debt	(80,000)	(132,000)	(212,000)	(5,224)
Interest paid on capital debt	(72,932)	(82,045)	(154,977)	-
Proceeds from sale of capital assets	-	-	-	81,733
Net cash provided by (used for) capital and related financing activities	(96,777)	46,655	(50,122)	(82,251)
CASH FLOW FROM INVESTING ACTIVITIES				
Investment earnings	35,001	41,602	76,603	18,675
Net increase (decrease) in cash and investments	87,163	385,618	472,781	40,159
Cash and investments at beginning of year	874,151	878,693	1,752,844	640,857
Cash and investments at end of year	\$ 961,314	\$ 1,264,311	\$ 2,225,625	\$ 681,016
Reconciliation of cash and investments to the Statement of Net Position				
Cash and investments	\$ 670,102	\$ 851,837	\$ 1,521,939	\$ 681,016
Restricted cash and investments	291,212	412,474	703,686	-
	\$ 961,314	\$ 1,264,311	\$ 2,225,625	\$ 681,016
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ (97,237)	\$ 51,648	\$ (45,589)	\$ (10,080)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities				
Depreciation expense	273,614	226,715	500,329	114,203
Change in assets and liabilities				
Receivables	2,039	9,799	11,838	-
Due from other governmental units	-	13,505	13,505	-
Accounts payable	(29,168)	(6,896)	(36,064)	(309)
Due to component units	-	1,335	1,335	-
Accrued liabilities	(309)	1,255	946	(79)
Net cash provided by (used for) operating activities	\$ 148,939	\$ 297,361	\$ 446,300	\$ 103,735

The accompanying notes are an integral part of this statement.

City of Newaygo
STATEMENT OF NET POSITION
 Fiduciary Funds
 June 30, 2024

	Total Custodial Funds	Custodial Funds		
		Tax Collection Agency	Joint Maintenance City/Library	Newaygo Community Recreation Authority
ASSETS				
Cash and investments	\$ 47,825	\$ 10,460	\$ 2,279	\$ 35,086
LIABILITIES				
Accounts payable	6,900	-	-	6,900
Due to other governmental units	10,460	10,460	-	-
Total liabilities	17,360	10,460	-	6,900
NET POSITION				
Restricted for individuals, organizations and other governments	\$ 30,465	\$ -	\$ 2,279	\$ 28,186

The accompanying notes are an integral part of this statement.

City of Newaygo
STATEMENT OF CHANGES IN NET POSITION
 Fiduciary Funds
 For the year ended June 30, 2024

	Custodial Funds			
	Total Custodial Funds	Tax Collection	Joint Maintenance City/Library	Newaygo Community Recreation Authority
ADDITIONS				
Property tax collections for other governments	\$ 2,456,475	\$ 2,456,475	\$ -	\$ -
Collections on behalf of others	55,379	-	2,000	53,379
Investment earnings	1,369	-	-	1,369
Total additions	2,513,223	2,456,475	2,000	54,748
DEDUCTIONS				
Payments of property taxes to other governments	2,456,475	2,456,475	-	-
Payments on behalf of others	70,093	-	18,924	51,169
Total deductions	2,526,568	2,456,475	18,924	51,169
Change in net position	(13,345)	-	(16,924)	3,579
Net position at beginning of year	43,810	-	19,203	24,607
Net position at end of year	\$ 30,465	\$ -	\$ 2,279	\$ 28,186

The accompanying notes are an integral part of this statement.

City of Newaygo
STATEMENT OF NET POSITION
Discretely Presented Component Units
June 30, 2024

	Tax Increment Finance Authority	Local Development Finance Authority	Total
ASSETS			
Current assets			
Cash and investments	\$ 677,150	\$ 279,403	\$ 956,553
Accounts receivable	2,533	-	2,533
Total current assets	679,683	279,403	959,086
Noncurrent assets			
Capital assets, net			
Nondepreciable	145,733	-	145,733
Depreciable	1,507,156	-	1,507,156
Net capital assets	1,652,889	-	1,652,889
Total assets	2,332,572	279,403	2,611,975
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	27,429	-	27,429
Bonds and other obligations, due within one year	140,000	-	140,000
Total current liabilities	167,429	-	167,429
Noncurrent liabilities			
Bonds and other obligations, less amounts due within one year	751,236	-	751,236
Total liabilities	918,665	-	918,665
NET POSITION			
Net investment in capital assets	761,653	-	761,653
Unrestricted	652,254	279,403	931,657
Total net position	\$ 1,413,907	\$ 279,403	\$ 1,693,310

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, 2024

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		
			<u>Tax Increment Finance Authority</u>	<u>Local Development Finance Authority</u>	<u>Total</u>
Tax Increment Finance Authority					
General government	\$ 246,097	\$ -	\$ (246,097)	\$ -	\$ (246,097)
Public works	727,868	-	(727,868)	-	(727,868)
Community and economic development	238,442	149,599	(88,843)	-	(88,843)
Distributions to other taxing authorities	400,000	-	(400,000)	-	(400,000)
Interest on long-term debt	17,686	-	(17,686)	-	(17,686)
Total Tax Increment Finance Authority	1,630,093	149,599	(1,480,494)	-	(1,480,494)
Local Development Finance Authority					
General government	10,000	-	-	(10,000)	(10,000)
Community and economic development	27,256	-	-	(27,256)	(27,256)
Distributions to other taxing authorities	220,589	-	-	(220,589)	(220,589)
Total Local Development Finance Authority	257,845	-	-	(257,845)	(257,845)
Total discretely presented component units	\$ 1,887,938	\$ 149,599	(1,480,494)	(257,845)	(1,738,339)
General revenues					
Property taxes			1,221,999	226,849	1,448,848
Grants and contributions not restricted to specific programs			316,196	-	316,196
Unrestricted investment earnings			68,717	11,146	79,863
Total general revenues			1,606,912	237,995	1,844,907
Change in net position			126,418	(19,850)	106,568
Net position at beginning of year			1,287,489	299,253	1,586,742
Net position at end of year			\$ 1,413,907	\$ 279,403	\$ 1,693,310

The accompanying notes are an integral part of this statement.

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024

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 Capital Projects Fund is used to account for the activity on capital improvement projects to which the City allocates money.

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 Custodial Funds are used to report resources that were contributed or collected for the benefit of others.

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, 2024

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 and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Cash and Investments

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

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

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

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

Inventories and Prepaid Items

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

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

Restricted Assets

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

Leases

For noncancellable agreements that qualify as leases for which the City is a lessor, the City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements for each lease.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate is used to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

The City uses its estimated incremental borrowing rate as the discount rate for leases receivable.

The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of a lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
 June 30, 2024

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

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.

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 acquisition value at the date of donation.

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City also reports unavailable revenues from one source: leases. These amounts are long-term leases entered into by the City in which the City is the lessor. These amounts are recognized as revenue over the term of the lease obligations.

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.

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

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.

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, 2024

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Property Taxes—Continued

The 2023 state taxable value for real/personal property of the City totaled approximately \$69,330,000 of which approximately \$51,625,000 was captured by the component units. The ad valorem taxes levied consisted of 17.75 mills for the City's operating purposes. This amount is recognized in the General Fund with the capture amounts shown in the TIFA and LDFA component units.

Compensated Absences

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

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

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024, \$5,626,648 of the City's bank balance of \$6,431,168 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, 2024, cash and investments in the enterprise funds are restricted as follows:

Business-type activities

Water Fund

Bond and interest redemption	\$ 163,380
Repair and replacement	249,094
	<hr/> 412,474

Sewer Fund

Bond reserve	94,967
Repair and replacement	196,245
	<hr/> 291,212

\$ 703,686

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

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, 2024 was as follows:

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 425,690	\$ 68,147	\$ -	\$ 493,837
Construction in progress	-	33,265	-	33,265
Total capital assets, not being depreciated	425,690	101,412	-	527,102
Capital assets, being depreciated:				
Land improvements	1,564,380	11,954	-	1,576,334
Buildings and improvements	1,555,149	326,257	-	1,881,406
Furniture, vehicles and equipment	1,625,364	158,760	129,608	1,654,516
Infrastructure	4,413,374	333,183	-	4,746,557
Shared improvements	1,824,584	-	-	1,824,584
Total capital assets, being depreciated	10,982,851	830,154	129,608	11,683,397
Less accumulated depreciation:				
Land improvements	1,386,653	40,801	-	1,427,454
Buildings and improvements	1,091,298	35,650	-	1,126,948
Furniture, vehicles and equipment	1,084,268	127,211	79,782	1,131,697
Infrastructure	2,183,403	280,937	-	2,464,340
Shared improvements	1,824,584	-	-	1,824,584
Total accumulated depreciation	7,570,206	484,599	79,782	7,975,023
Total capital assets, being depreciated, net	3,412,645	345,555	49,826	3,708,374
Capital assets, net	\$ 3,838,335	\$ 446,967	\$ 49,826	\$ 4,235,476

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE D—CAPITAL ASSETS—Continued

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 429,500	\$ -	\$ -	\$ 429,500
Construction in progress	30,000	226,354	-	256,354
Total capital assets, not being depreciated	459,500	226,354	-	685,854
Capital assets, being depreciated:				
Sewer system	13,609,830	-	-	13,609,830
Water system	9,630,056	-	-	9,630,056
Equipment	304,446	-	-	304,446
Total capital assets, being depreciated	23,544,332	-	-	23,544,332
Less accumulated depreciation:				
Sewer system	5,446,880	271,141	-	5,718,021
Water system	3,760,499	226,356	-	3,986,855
Equipment	273,573	2,832	-	276,405
Total accumulated depreciation	9,480,952	500,329	-	9,981,281
Total capital assets, being depreciated, net	14,063,380	(500,329)	-	13,563,051
Capital assets, net	\$ 14,522,880	\$ (273,975)	\$ -	\$ 14,248,905

Depreciation

Depreciation expense has been charged to functions as follows:

Governmental activities:

General government	\$ 43,160
Public safety	924
Public works	301,246
Culture and recreation	25,066
Internal Service Fund depreciation is charged to the various programs based on their usage of the assets	114,203
	\$ 484,599

Business-type activities:

Sewer	\$ 273,614
Water	226,715
	\$ 500,329

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE D—CAPITAL ASSETS—Continued

	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024
Component units:				
Capital assets, not being depreciated:				
Tax Increment Finance Authority				
Land	\$ 145,733	\$ -	\$ -	\$ 145,733
Capital assets, being depreciated:				
Tax Increment Finance Authority				
Building and improvements	2,423,721	6,405	-	2,430,126
Less accumulated depreciation:				
Tax Increment Finance Authority				
Buildings and improvements	876,363	46,607	-	922,970
Total capital assets, being depreciated, net	1,547,358	(40,202)	-	1,507,156
Capital assets, net	\$ 1,693,091	\$ (40,202)	\$ -	\$ 1,652,889

Depreciation

Depreciation expense has been charged to functions as follows:

Community and economic development	\$ 46,607
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NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the year ended June 30, 2024, the Major Streets Fund transferred \$20,000 to the Local Streets Fund for capital projects.

Component unit transactions:

The TIFA and LDFA contributed the following amounts to the City for the year ended June 30, 2024:

	Governmental Activities
Capital activities	
TIFA	\$ 672,619
Operating activities	
TIFA	33,000
LDFA	10,000
	\$ 715,619

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
 June 30, 2024

NOTE F—LEASES

Leases Receivable

The City leases space on their water tower to a telephone company. The five-year agreement was signed in July 2020 and has two five year options which are expected to be exercised. The agreement calls for monthly payments \$3,155 during the initial period. Monthly rent to increase by ten percent at each renewal period. For the year ended June 30, 2024, the City recognized rental income and interest income related to the above lease of \$29,637 and \$8,219, respectively.

The future minimum payments to be received for this lease are as follows:

Year Ended	Governmental Activities	
June 30	Principal	Interest
2025	\$ 30,190	\$ 7,666
2026	34,571	7,071
2027	35,216	6,426
2028	35,873	5,769
2029	36,542	5,100
Thereafter	255,819	14,853
	\$ 428,211	\$ 46,885

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE G—LONG-TERM DEBT

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

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, 2024:

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
Governmental activities:					
Notes from direct borrowings and direct placements	\$ 6,533	\$ -	\$ 5,224	\$ 1,309	\$ 1,309
Compensated absences	58,980	65,940	58,704	66,216	52,000
Governmental activities long-term liabilities	\$ 65,513	\$ 65,940	\$ 63,928	\$ 67,525	\$ 53,309
Business-type activities:					
Public placement debt					
Revenue bonds	\$ 7,006,000	\$ -	\$ 183,000	\$ 6,823,000	\$ 187,000
General obligation bonds	271,000	-	29,000	242,000	29,000
Compensated absences	33,256	22,991	25,862	30,385	23,800
Business-type activities long-term liabilities	\$ 7,310,256	\$ 22,991	\$ 237,862	\$ 7,095,385	\$ 239,800
Component units:					
Public placement debt					
Tax Increment Bonds	\$ 1,040,000	\$ -	\$ 140,000	\$ 900,000	\$ 140,000
Discount	(10,358)	-	(1,594)	(8,764)	-
Component units long-term liabilities	\$ 1,029,642	\$ -	\$ 138,406	\$ 891,236	\$ 140,000

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

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

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE G—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

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

	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Balance</u>
Governmental activities:			
Notes from direct borrowings and direct placements	0.0%	August 2025	<u><u>\$ 1,309</u></u>
Public Placement Debt			
Business-type activities:			
Bonds:			
2021 Water Supply System Revenue bonds	1.31% to 2.8%	August 2043	\$ 1,100,000
2013 Water Supply System Bonds	2.125%	August 2053	2,507,000
2021 General Obligation Limited Tax bond	.61% to 1.41%	August 2031	242,000
2021 Sewage Disposal System Revenue bonds	1.31% to 2.8%	August 2043	965,000
2018A Sanitary Sewer System Bonds	2.125%	August 2058	1,358,000
2018B Sanitary Sewer System Bonds	2.375%	August 2058	<u>893,000</u>
			<u><u>\$ 7,065,000</u></u>
Component units:			
Limited tax development:			
2019 Tax Increment Refunding Bonds	1.85%	June 2030	<u><u>\$ 900,000</u></u>

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

The City was in compliance in all material respects with all the revenue bond ordinances at June 30, 2024.

Annual debt service requirements to maturity for public placement debt and for direct borrowings and direct placements outstanding as of June 30, 2024 follow:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Units</u>	
	<u>Notes from Direct Borrowings</u>		<u>Public Placement Debt</u>		<u>Public Placement Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 1,309	\$ -	\$ 216,000	\$ 151,990	\$ 140,000	\$ 15,355
2026	-	-	218,000	148,238	145,000	12,719
2027	-	-	223,000	144,414	150,000	9,990
2028	-	-	228,000	140,334	150,000	7,215
2029	-	-	232,000	136,126	155,000	4,394
2030-2034	-	-	1,173,000	607,711	160,000	1,480
2035-2039	-	-	1,210,000	477,011	-	-
2040-2044	-	-	1,371,000	324,324	-	-
2045-2049	-	-	830,000	194,932	-	-
2050-2054	-	-	928,000	99,738	-	-
2055-2059	-	-	436,000	24,642	-	-
	<u><u>\$ 1,309</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,065,000</u></u>	<u><u>\$ 2,449,460</u></u>	<u><u>\$ 900,000</u></u>	<u><u>\$ 51,153</u></u>

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE H—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.

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.

Jointly Governed Organizations

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

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

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
 June 30, 2024

NOTE H—OTHER INFORMATION—Continued

Commitments

The City has several contracts for streets and other construction projects as of June 30, 2024 with a remaining amount of \$216,573. These commitments are to be paid out of available funds as follows:

Fund	Amount
Major Streets	\$ 9,285
TIFA	20,069
Sewer	39,962
Water	147,257
	\$ 216,573

NOTE I—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 can irrevocably elect 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 2024, the City's total contribution was approximately \$34,300, and the employee contributions were approximately \$8,600.

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 can irrevocably elect 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 2024, the City's total contribution was approximately \$56,600 and the employee contributions were approximately \$14,000. 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, 2024, there were no forfeitures.

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2024

NOTE I—PENSION PLANS—Continued

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 the City to contribute certain excess compensated absences amounts to the plan each year. For the year ended June 30, 2024, the City's contribution to the plan was approximately \$18,500.

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 J—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 75 percent of the City's property tax value base. Property tax revenues represent approximately 20 percent of the General Fund's revenues.

NOTE K—TAX ABATEMENTS

The City entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Developments Act, (known as the Industrial Facilities Exemptions or IFTs) PA 198 of 1974, as amended. The IFTs provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assist in the building of new facilities, and to promote the establishment of high tech facilities. Properties qualifying for IFT status are taxed at half the local property tax millage rate applicable to other real and personal property in the City for a term of one to twelve years as determined by the City.

For the year ended June 30, 2024, the City abated property taxes revenues totaling \$70,000 under this program.

NOTE L—SUBSEQUENT EVENTS

In July 2024, the City entered into contracts with various third parties to perform parking lot improvements for approximately \$95,000. These improvements are expected to be funded with TIFA revenues and fund balance from the Capital Projects Fund.

The City also entered into contracts with various third parties to construct water system improvements for approximately \$2,555,000. These projects are expected to be funded with grant funds of \$689,500 and debt issuances of \$1,200,000. The remainder of the projects are expected to be funded with Water Fund revenues.

REQUIRED SUPPLEMENTARY INFORMATION

City of Newaygo
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 319,000	\$ 344,000	\$ 347,763	\$ 3,763
Licenses and permits	26,500	26,500	25,095	(1,405)
Intergovernmental revenues				
Federal	3,400	3,400	3,116	(284)
State	355,500	390,500	388,634	(1,866)
Local	431,000	511,425	537,578	26,153
Charges for services	294,052	318,850	322,117	3,267
Fines and forfeitures	17,500	17,500	13,232	(4,268)
Investment earnings	13,500	41,500	39,935	(1,565)
Other	43,000	68,575	86,980	18,405
Total revenues	1,503,452	1,722,250	1,764,450	42,200
EXPENDITURES				
Current				
General government				
City Council	33,268	79,568	72,144	7,424
City manager	53,275	53,275	45,150	8,125
Elections	6,000	6,000	5,106	894
Board of review	1,275	1,275	900	375
Clerk	33,962	33,962	30,831	3,131
Treasurer	49,891	49,891	45,947	3,944
Assessor	23,800	27,500	25,168	2,332
Attorney	40,000	80,000	73,799	6,201
City offices	153,623	175,600	160,145	15,455
Cemetery	94,910	94,910	67,745	27,165
Public safety				
Law enforcement	652,864	730,700	719,916	10,784
Public works	235,947	290,500	269,472	21,028
Community and economic development				
Planning	7,000	27,000	23,846	3,154
Culture and recreation				
Parks	136,093	177,200	175,535	1,665
Capital outlay	-	6,300	6,293	7
Total expenditures	1,521,908	1,833,681	1,721,997	111,684
Net change in fund balance	<u>\$ (18,456)</u>	<u>\$ (111,431)</u>	42,453	<u>\$ 153,884</u>
Fund balance at beginning of year			942,856	
Fund balance at end of year			<u>\$ 985,309</u>	

City of Newaygo
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Major Streets Fund
For the year ended June 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues				
State	\$ 309,000	\$ 374,738	\$ 386,372	\$ 11,634
Local	-	-	69,792	69,792
Investment earnings	5,000	5,000	20,584	15,584
Other	25,000	90,738	180	(90,558)
	<hr/>			
Total revenues	339,000	470,476	476,928	6,452
EXPENDITURES				
Current				
Public works	313,053	485,461	381,062	104,399
	<hr/>			
Excess of revenues over (under) expenditures	25,947	(14,985)	95,866	110,851
OTHER FINANCING USES				
Transfers out	(20,000)	(20,000)	(20,000)	-
	<hr/>			
Net change in fund balance	<u>\$ 5,947</u>	<u>\$ (34,985)</u>	75,866	<u>\$ 110,851</u>
Fund balance at beginning of year			<u>655,215</u>	
Fund balance at end of year			<u>\$ 731,081</u>	

OTHER SUPPLEMENTARY INFORMATION

City of Newaygo
COMBINING BALANCE SHEET
 Other Governmental Funds
 June 30, 2024

	Total Other Governmental Funds	Special Revenue Funds			Capital Projects Fund
		Local Streets	Principal Shopping District	Building Inspection	Disc Golf
ASSETS					
Cash and investments	\$ 413,041	\$ 361,524	\$ 25,705	\$ 5,500	\$ 20,312
Accounts receivable	4,373	-	1,589	2,784	-
Due from other governmental units	16,855	16,855	-	-	-
Total assets	\$ 434,269	\$ 378,379	\$ 27,294	\$ 8,284	\$ 20,312
LIABILITIES					
Accounts payable	\$ 20,519	\$ 16,692	\$ 1,364	\$ 2,463	\$ -
Accrued liabilities	1,332	1,232	-	100	-
Total liabilities	21,851	17,924	1,364	2,563	-
FUND BALANCES					
Restricted					
Streets and highways	360,455	360,455	-	-	-
Capital projects	20,312	-	-	-	20,312
Shopping district	25,930	-	25,930	-	-
Building inspection	5,721	-	-	5,721	-
Total fund balances	412,418	360,455	25,930	5,721	20,312
Total liabilities and fund balances	\$ 434,269	\$ 378,379	\$ 27,294	\$ 8,284	\$ 20,312

City of Newaygo
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Other Governmental Funds
 For the year ended June 30, 2024

	Total Other Governmental Funds	Special Revenue Funds			Capital Projects Fund
		Local Streets	Principal Shopping District	Building Inspection	Disc Golf
REVENUES					
Intergovernmental revenues—State	\$ 105,127	\$ 105,127	\$ -	\$ -	\$ -
Charges for services	98,280	-	50,053	48,227	-
Investment earnings	10,966	10,032	934	-	-
Other	33,245	33,245	-	-	-
Total revenues	247,618	148,404	50,987	48,227	-
EXPENDITURES					
Current					
Public works	193,702	140,641	53,061	-	-
Community and economic development	50,405	-	-	50,405	-
Capital outlay	12,424	-	-	-	12,424
Total expenditures	256,531	140,641	53,061	50,405	12,424
Excess of revenues over (under) expenditures	(8,913)	7,763	(2,074)	(2,178)	(12,424)
OTHER FINANCING SOURCES					
Transfers in	20,000	20,000	-	-	-
Net change in fund balances	11,087	27,763	(2,074)	(2,178)	(12,424)
Fund balances at beginning of year	401,331	332,692	28,004	7,899	32,736
Fund balances at end of the year	\$ 412,418	\$ 360,455	\$ 25,930	\$ 5,721	\$ 20,312