

City of Newaygo
Newaygo County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

June 30, 2023



City of Newaygo

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INDEPENDENT AUDITOR'S REPORT

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

Report on the 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, 2023, 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, 2023, 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
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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.

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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 26, 2023, 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 26, 2023

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, 2023. 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, 2023 include the following:

- The City completed various paving or repair projects on several streets, drives, and lots during the year for approximately \$230,000. Besides roads throughout town, paving was done in the Riverfront Parks, the cemetery, and downtown parking lots.
- Some vehicles and equipment were purchased totaling approximately \$95,000. Some used or obsolete equipment was sold. Proceeds from the sales totaled approximately \$100,000.
- The General Fund fund balance decreased by approximately \$85,000 for the year mostly due to a transfer of funds relating to a property acquisition in the downtown that is planned for public improvements.
- Water system improvements of approximately \$155,000 were completed during the year. A backup generator was installed for the water booster station, a new water line was installed along M37 between 8152 and 8180 Mason Dr (M37), engineering was conducted for future water main upgrades for a part of Washington, State, and Barton streets, and some other miscellaneous expenditures.
- Regarding the sewer system, approximately \$40,000 was spent to install a new sewer main along M37 between 8152 and 8180 Mason Dr (M37).
- The City of Newaygo was awarded a grant for approximately \$150,000 to replace the dilapidated roof on the old powerhouse building located in Riverfront Park next to the Muskegon River.

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, 2023, the City's net position from governmental activities totaled approximately \$6,684,000 and \$9,135,000 from business-type activities, creating a total government-wide net position total of approximately \$15,819,000.

In examining the composition of net position, the reader should note that net position for governmental activities are mostly invested in capital assets (i.e., streets, buildings, land, vehicles, equipment, etc.). These assets are used to provide services to the City's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Net investment in capital assets is approximately \$3,832,000. Restricted net position, those restricted mainly for streets and highways, debt service, and capital projects were approximately \$1,471,000. The unrestricted net position for governmental-type activities is approximately \$1,381,000. This represents the amount of discretionary resources that can be used for general governmental operations.

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

For governmental activities, current assets and other assets increased primarily from an increase in cash reserves. Capital assets decreased due to current year depreciation exceeding capital asset additions.

CITY OF NEWAYGO, MICHIGAN

Management's Discussion and Analysis

For business activities, current assets and other assets decreased primarily due to a decrease in cash reserves as money is spent on capital projects. Capital assets decreased due to current year depreciation exceeding capital asset additions. Current liabilities decreased due to less amounts owing on projects at the end of the fiscal year. Noncurrent liabilities decreased due to normal debt payments.

Net position (in thousands) as of June 30, 2023 follows:

	Governmental Activities		Business Activities		Total	
	2023	2022	2023	2022	2023	2022
Current assets and other assets	\$ 3,469	\$ 2,986	\$ 2,083	\$ 2,219	\$ 5,552	\$ 5,205
Capital assets	3,838	4,067	14,523	14,825	18,361	18,892
Total assets	7,307	7,053	16,606	17,044	23,913	24,097
Current liabilities	166	175	395	519	561	694
Noncurrent liabilities	15	51	7,076	7,286	7,091	7,337
Deferred inflows	442	479	-	-	442	479
Total liabilities and deferred inflows	623	705	7,471	7,805	8,094	8,510
Net position						
Net investment in capital assets	3,832	4,055	7,246	7,340	11,078	11,395
Restricted	1,471	954	589	566	2,060	1,520
Unrestricted	1,381	1,339	1,300	1,333	2,681	2,672
Total net position	\$ 6,684	\$ 6,348	\$ 9,135	\$ 9,239	\$ 15,819	\$ 15,587

Changes in Net Position

Governmental Activities

Regarding revenues, charges for services decreased due to less cemetery lot sales and less reimbursements. Operating grants and contributions increased primarily due to increased state contributions for road maintenance and a state grant for a police social worker. Capital grants and contributions decreased primarily due to less grant funds received for public works projects. Grants and contributions not restricted increased primarily due to larger distributions from component units (TIFA and LDFA). Investment earnings increased due to higher interest rates. Other revenue category increased due to proceeds received from the sale of capital assets.

Regarding expenses, general government increased mostly due to more legal and cemetery expenses. Public safety increased due to more wages, technology, and training costs. Public works decreased due to no need to crush concrete and significant maintenance projects being completed in the prior year. 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, charges for services increased primarily due to increased water and sewer sales. Capital grants and contributions decreased due to completion of a state grant, less connection fees, and less grants from component units. Investment earnings increased due to higher interest rates.

Sewer expenses increased primarily due to a new sewer service line install on Brooks St. Water expenses increased primarily due to increased depreciation and a project to inventory service lines.

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

	Governmental Activities		Business Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues						
Charges for services	\$ 366	\$ 441	\$ 1,315	\$ 1,222	\$ 1,681	\$ 1,663
Operating grants and contributions	507	438	-	-	507	438
Capital grants and contributions	275	439	183	834	458	1,273
General revenues						
Property taxes	325	310	-	-	325	310
Franchise fees	17	19	-	-	17	19
Grants and contributions not restricted	729	584	-	-	729	584
Unrestricted investment earnings	67	16	36	3	103	19
Other	83	44	-	-	83	44
Total revenues	2,369	2,291	1,534	2,059	3,903	4,350
Expenses:						
General government	461	410	-	-	461	410
Public safety	629	580	-	-	629	580
Public works	706	829	-	-	706	829
Community and economic development	60	58	-	-	60	58
Culture and recreation	177	135	-	-	177	135
Sewer	-	-	764	736	764	736
Water	-	-	874	717	874	717
Total expenses	2,033	2,012	1,638	1,453	3,671	3,465
Increase (decrease) in net position before transfers	336	279	(104)	606	232	885
Transfers	-	(50)	-	50	-	-
Change in net position	336	229	(104)	656	232	885
Net position - Beginning	6,348	6,119	9,239	8,583	15,587	14,702
Net position - Ending	\$ 6,684	\$ 6,348	\$ 9,135	\$ 9,239	\$ 15,819	\$ 15,587

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, 2023, the City governmental funds reported a combined fund balance of \$2,413,545. This number represents the fund balance of \$942,856 in the General Fund and \$1,470,689 in other governmental funds. The unassigned fund balance in the General Fund represents what is available for spending at the City's discretion.

The General Fund is the chief operating fund of the City. During the current fiscal year, the General Fund saw a fund balance decrease of \$84,427. This decrease was primarily the result money being transferred to a project fund for acquisition of property in the downtown.

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, 2023, unrestricted net position of the Sewer Fund and Water Fund were \$617,016 and \$543,050 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 \$210,015. 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 revenue sharing, higher than expected interest, less than expected property sales, State grant money for a police social worker, less than expected ordinance enforcement services, and less than expected material sales. For expenses, amendments related to increased legal and personnel costs, and improvements/activity in the cemetery and parks.

The final amended budget to actual showed some budget variances. Regarding revenues, more than expected property taxes, State shared revenues, and interest were received. Regarding expenditures, supplies and maintenance expenses were less than expected for City Hall and Parks, and there was less personnel and equipment costs for the DPW.

CITY OF NEWAYGO, MICHIGAN

Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, the City had \$18,361,215, net of depreciation, invested in a broad range of capital assets including land, buildings, public safety equipment, roads, parks and water and sewer infrastructure. This represents a decrease of \$531,100 from last year. This decrease was primarily the result of depreciation exceeding capital asset additions. The City had a number of capital asset additions during the year including, but not limited to, street paving (approximately \$230,000), and purchase of vehicles and equipment (approximately \$95,000).

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 425,690	\$ 425,690	\$ 429,500	\$ 429,500	\$ 855,190	\$ 855,190
Land improvements	177,727	220,510	-	-	177,727	220,510
Building and improvements	463,851	494,825	-	-	463,851	494,825
Furniture, vehicles and equipment	541,096	631,644	44,473	47,306	585,569	678,950
Infrastructure	2,229,971	2,294,216	14,018,907	14,348,624	16,248,878	16,642,840
Construction in progress	-	-	30,000	-	30,000	-
Total	\$ 3,838,335	\$ 4,066,885	\$ 14,522,880	\$ 14,825,430	\$ 18,361,215	\$ 18,892,315

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

Long-Term Debt

At June 30, 2023, the City had \$7,375,769 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>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenue bonds	\$ -	\$ -	\$ 7,006,000	\$ 7,185,000	\$ 7,006,000	\$ 7,185,000
General obligation bonds	-	-	271,000	300,000	271,000	300,000
Capital lease	6,533	11,757	-	-	6,533	11,757
Compensated absences	58,980	54,655	33,256	28,381	92,236	83,036
Total	\$ 65,513	\$ 66,412	\$ 7,310,256	\$ 7,513,381	\$ 7,375,769	\$ 7,579,793

In addition to the City's debt, the TIFA component unit had outstanding long-term debt totaling \$1,040,000. 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 2023-24 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. An old factory has been purchased and repurposed which creates more jobs for the area. Looking forward, a broadband company is building a facility in the City's industrial park and an office building is nearly complete on M37. 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. 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 150 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 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 2023-24 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 largely 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 2023, 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.

Looking forward, the City is preparing to upgrade the oldest of its seven sewer pump stations. Many of the other pump stations have been upgraded over the years.

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, 2023

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
ASSETS				
Current assets				
Cash and investments	\$ 3,004,772	\$ 1,099,726	\$ 4,104,498	\$ 1,082,868
Receivables				
Accounts	22,060	144,413	166,473	3,030
Leases	29,637	-	29,637	14,176
Due from other governmental units	124,710	13,505	138,215	-
Internal balances	(140,376)	140,376	-	-
Inventories	-	31,556	31,556	-
Total current assets	3,040,803	1,429,576	4,470,379	1,100,074
Noncurrent assets				
Restricted cash and investments	-	653,119	653,119	-
Leases receivable	428,211	-	428,211	4,370
Capital assets, net				
Nondepreciable	425,690	459,500	885,190	145,733
Depreciable	3,412,645	14,063,380	17,476,025	1,547,358
Total noncurrent assets	4,266,546	15,175,999	19,442,545	1,697,461
Total assets	7,307,349	16,605,575	23,912,924	2,797,535
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	116,105	161,378	277,483	162,877
Bonds and other obligations, due within one year	50,224	233,800	284,024	140,000
Total current liabilities	166,329	395,178	561,507	302,877
Noncurrent liabilities				
Bonds and other obligations, less amounts due within one year	15,289	7,076,456	7,091,745	889,642
Total liabilities	181,618	7,471,634	7,653,252	1,192,519
DEFERRED INFLOWS OF RESOURCES				
Related to leases	441,859	-	441,859	18,274
Total liabilities and deferred inflows of resources	623,477	7,471,634	8,095,111	1,210,793
NET POSITION				
Net investment in capital assets	3,831,802	7,245,880	11,077,682	663,449
Restricted				
Streets and highways	987,907	-	987,907	-
Debt service	-	171,897	171,897	-
Capital projects	446,879	415,722	862,601	-
Shopping district	28,004	-	28,004	-
Building inspections	7,899	-	7,899	-
Unrestricted	1,381,381	1,300,442	2,681,823	923,293
Total net position	\$ 6,683,872	\$ 9,133,941	\$ 15,817,813	\$ 1,586,742

The accompanying notes are an integral part of this statement.

City of Newaygo
STATEMENT OF ACTIVITIES
For the year ended June 30, 2023

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	\$ 460,538	\$ 147,105	\$ 1,825	\$ -	\$ (311,608)	\$ -	\$ (311,608)	\$ -
Public safety	629,108	79,852	72,755	-	(476,501)	-	(476,501)	-
Public works	706,099	74,959	432,235	275,000	76,095	-	76,095	-
Community and economic development	59,750	53,835	-	-	(5,915)	-	(5,915)	-
Culture and recreation	177,039	10,713	-	-	(166,326)	-	(166,326)	-
Total governmental activities	2,032,534	366,464	506,815	275,000	(884,255)	-	(884,255)	-
Business-type activities								
Sewer	765,049	581,886	-	6,685	-	(176,478)	(176,478)	-
Water	874,426	732,597	-	176,466	-	34,637	34,637	-
Total business-type activities	1,639,475	1,314,483	-	183,151	-	(141,841)	(141,841)	-
Total primary government	\$ 3,672,009	\$ 1,680,947	\$ 506,815	\$ 458,151	(884,255)	(141,841)	(1,026,096)	-
Component units								
Tax Increment Finance Authority	\$ 1,396,236	\$ 146,933	\$ -	\$ -	-	-	-	(1,249,303)
Local Development Finance Authority	250,274	-	-	-	-	-	-	(250,274)
Total component units	\$ 1,646,510	\$ 146,933	\$ -	\$ -	-	-	-	(1,499,577)
General revenues								
Property taxes					324,589	-	324,589	1,356,373
Franchise fees					17,239	-	17,239	-
Grants and contributions not restricted to specific programs					728,615	-	728,615	298,843
Unrestricted investment earnings					66,646	36,492	103,138	36,960
Gain on sale of capital assets					59,121	-	59,121	-
Miscellaneous					23,949	-	23,949	-
Total general revenues					1,220,159	36,492	1,256,651	1,692,176
Change in net position					335,904	(105,349)	230,555	192,599
Net position at beginning of year					6,347,968	9,239,290	15,587,258	1,394,143
Net position at end of year					\$ 6,683,872	\$ 9,133,941	\$ 15,817,813	\$ 1,586,742

The accompanying notes are an integral part of this statement.

City of Newaygo
BALANCE SHEET
 Governmental Funds
 June 30, 2023

	General Fund	Major Streets Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 922,069	\$ 629,858	\$ 414,143	\$ 397,845	\$ 2,363,915
Accounts receivable	15,522	-	-	6,539	22,061
Due from other governmental units	54,167	53,152	-	17,391	124,710
Lease receivable	457,848	-	-	-	457,848
Total assets	\$ 1,449,606	\$ 683,010	\$ 414,143	\$ 421,775	\$ 2,968,534
LIABILITIES					
Accounts payable	\$ 36,466	\$ 25,331	\$ -	\$ 18,195	\$ 79,992
Accrued liabilities	28,425	2,464	-	2,249	33,138
Total liabilities	64,891	27,795	-	20,444	113,130
DEFERRED INFLOWS OF RESOURCES					
Related to leases	441,859	-	-	-	441,859
FUND BALANCES					
Restricted					
Streets and highways	-	655,215	-	332,692	987,907
Shopping district	-	-	-	28,004	28,004
Building inspection	-	-	-	7,899	7,899
Capital projects	-	-	414,143	32,736	446,879
Assigned—subsequent year's budget appropriations	18,456	-	-	-	18,456
Unassigned	924,400	-	-	-	924,400
Total fund balances	942,856	655,215	414,143	401,331	2,413,545
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,449,606	\$ 683,010	\$ 414,143	\$ 421,775	\$ 2,968,534

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, 2023

Total fund balances—governmental funds		\$ 2,413,545
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	\$ 10,122,089	
Accumulated depreciation	<u>(6,780,055)</u>	3,342,034
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		(58,980)
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	1,127,649	
Internal balances representing the cumulative difference between actual costs and amounts charged to business-type activities	<u>(140,376)</u>	<u>987,273</u>
Net position of governmental activities		<u>\$6,683,872</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, 2023

	General Fund	Major Streets Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 324,589	\$ -	\$ -	\$ -	\$ 324,589
Licenses and permits	29,138	-	-	-	29,138
Intergovernmental revenues					
Federal	1,825	-	-	-	1,825
State	346,394	315,663	-	102,637	764,694
Local	442,976	-	275,000	-	717,976
Charges for services	287,779	-	-	103,379	391,158
Fines and forfeitures	13,330	-	-	-	13,330
Investment earnings	35,053	12,178	-	6,989	54,220
Other	39,176	14,198	-	13,934	67,308
Total revenues	1,520,260	342,039	275,000	226,939	2,364,238
EXPENDITURES					
Current					
General government	473,228	-	-	-	473,228
Public safety	625,885	-	-	-	625,885
Public works	258,571	197,380	-	162,988	618,939
Community and economic development	3,919	-	-	55,830	59,749
Culture and recreation	143,084	-	-	9,977	153,061
Capital outlay	-	-	857	-	857
Total expenditures	1,504,687	197,380	857	228,795	1,931,719
Excess of revenues over (under) expenditures	15,573	144,659	274,143	(1,856)	432,519
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	100,000	20,000	120,000
Transfers out	(100,000)	(20,000)	-	-	(120,000)
Total other financing sources (uses)	(100,000)	(20,000)	100,000	20,000	-
Net change in fund balances	(84,427)	124,659	374,143	18,144	432,519
Fund balances at beginning of year	1,027,283	530,556	40,000	383,187	1,981,026
Fund balances at end of year	\$ 942,856	\$ 655,215	\$ 414,143	\$ 401,331	\$ 2,413,545

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, 2023

Net change in fund balances—total governmental funds \$ 432,519

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	\$ (405,294)	
Capital outlay	<u>231,080</u>	(174,214)

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		(4,325)
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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	85,502	
Change in internal balances representing the current year difference between actual costs and amounts charged to business-type activities	<u>(3,578)</u>	<u>81,924</u>

Change in net position of governmental activities		<u>\$ 335,904</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, 2023

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer	Water	Total	
ASSETS				
Current assets				
Cash and investments	\$ 612,549	\$ 487,177	\$ 1,099,726	\$ 640,857
Accounts receivable	56,917	87,496	144,413	-
Due from other governmental units	-	13,505	13,505	-
Inventories	2,891	28,665	31,556	-
Total current assets	672,357	616,843	1,289,200	640,857
Noncurrent assets				
Restricted cash and investments	261,603	391,516	653,119	-
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	1,286,452
Construction in progress	-	30,000	30,000	-
Less accumulated depreciation	(5,625,028)	(3,855,924)	(9,480,952)	(790,151)
Net capital assets	8,617,210	5,905,670	14,522,880	496,301
Total noncurrent assets	8,878,813	6,297,186	15,175,999	496,301
Total assets	9,551,170	6,914,029	16,465,199	1,137,158
LIABILITIES				
Current liabilities				
Accounts payable	36,678	49,551	86,229	2,695
Accrued liabilities	34,877	40,272	75,149	281
Bonds and other obligations, due within one year	89,800	144,000	233,800	5,224
Total current liabilities	161,355	233,823	395,178	8,200
Noncurrent liabilities				
Bonds and other obligations, less amounts due within one year	3,220,486	3,855,970	7,076,456	1,309
Total liabilities	3,381,841	4,089,793	7,471,634	9,509
NET POSITION				
Net investment in capital assets	5,321,210	1,924,670	7,245,880	489,768
Restricted				
Debt service	51,184	120,713	171,897	-
Capital projects	179,919	235,803	415,722	-
Unrestricted	617,016	543,050	1,160,066	637,881
Total net position	<u>\$ 6,169,329</u>	<u>\$ 2,824,236</u>	8,993,565	<u>\$ 1,127,649</u>
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			140,376	
Net position of business type activities			<u>\$ 9,133,941</u>	

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, 2023

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer	Water	Total	
OPERATING REVENUES				
Charges for services	\$ 575,028	\$ 716,958	\$ 1,291,986	\$ 279,251
OPERATING EXPENSES				
Administration	110,304	147,751	258,055	-
Operations	307,969	419,770	727,739	157,882
Depreciation	274,329	224,986	499,315	107,414
Total operating expenses	692,602	792,507	1,485,109	265,296
Operating income (loss)	(117,574)	(75,549)	(193,123)	13,955
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	17,747	18,744	36,491	12,426
Other revenues	6,858	15,639	22,497	-
Gain on sale of capital assets	-	-	-	59,121
Interest expense	(73,933)	(84,010)	(157,943)	-
Total nonoperating revenue (expenses)	(49,328)	(49,627)	(98,955)	71,547
Income (loss) before contributions and transfers	(166,902)	(125,176)	(292,078)	85,502
Capital contributions	6,685	176,466	183,151	-
Change in net position	(160,217)	51,290	(108,927)	85,502
Net position at beginning of year	6,329,546	2,772,946		1,042,147
Net position at end of year	\$ 6,169,329	\$ 2,824,236		\$ 1,127,649
Adjustment for the net effect of the current year activities between the internal service fund and the enterprise funds			3,578	
Change in net position of business-type activities			\$ (105,349)	

The accompanying notes are an integral part of this statement.

City of Newaygo
STATEMENT OF CASH FLOWS
 Proprietary Funds
 For year end June 30, 2023

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Sewer	Water	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 574,446	\$ 685,784	\$ 1,260,230	\$ -
Receipts from interfund services provided	2,400	7,001	9,401	281,732
Payments to suppliers	(133,897)	(470,072)	(603,969)	(127,142)
Payments to employees	(201,637)	(244,679)	(446,316)	(22,780)
Payment for interfund services used	(42,682)	(58,939)	(101,621)	(8,300)
Net cash provided by (used for) operating activities	198,630	(80,905)	117,725	123,510
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(39,819)	(116,044)	(155,863)	(96,207)
Capital contributions	13,543	192,105	205,648	-
Principal paid on capital debt	(77,000)	(131,000)	(208,000)	(5,224)
Interest paid on capital debt	(74,433)	(84,010)	(158,443)	-
Proceeds from sale of capital assets	-	-	-	102,250
Net cash provided by (used for) capital and related financing activities	(177,709)	(138,949)	(316,658)	819
CASH FLOW FROM INVESTING ACTIVITIES				
Investment earnings	17,747	18,744	36,491	12,426
Net increase (decrease) in cash and investments	38,668	(201,110)	(162,442)	136,755
Cash and investments at beginning of year	835,484	1,079,803	1,915,287	504,102
Cash and investments at end of year	\$ 874,152	\$ 878,693	\$ 1,752,845	\$ 640,857
Reconciliation of cash and investments to the Statement of Net Position				
Cash and investments	\$ 612,549	\$ 487,177	\$ 1,099,726	\$ 640,857
Restricted cash and investments	261,603	391,516	653,119	-
	\$ 874,152	\$ 878,693	\$ 1,752,845	\$ 640,857
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ (117,574)	\$ (75,549)	\$ (193,123)	\$ 13,955
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities				
Depreciation expense	274,329	224,986	499,315	107,414
Change in assets and liabilities				
Receivables	1,818	(24,173)	(22,355)	2,481
Accounts payable	33,427	(214,063)	(180,636)	(621)
Accrued liabilities	6,630	7,894	14,524	281
Net cash provided by (used for) operating activities	\$ 198,630	\$ (80,905)	\$ 117,725	\$ 123,510

The accompanying notes are an integral part of this statement.

City of Newaygo
STATEMENT OF NET POSITION
 Fiduciary Funds
 June 30, 2023

	Total Custodial Funds	Custodial Funds		
		Tax Collection Agency	Joint Maintenance City/Library	Newaygo Community Recreation Authority
ASSETS				
Cash and investments	\$ 51,508	\$ 5,738	\$ 19,203	\$ 26,567
LIABILITIES				
Accounts payable	1,960	-	-	1,960
Due to other governmental units	5,738	5,738	-	-
Total liabilities	7,698	5,738	-	1,960
NET POSITION				
Restricted for individuals, organizations and other governments	\$ 43,810	\$ -	\$ 19,203	\$ 24,607

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, 2023

	Custodial Funds			
	Total Custodial Funds	Tax Collection	Joint Maintenance City/Library	Newaygo Community Recreation Authority
ADDITIONS				
Property tax collections for other governments	\$ 2,262,032	\$ 2,262,032	\$ -	\$ -
Collections on behalf of others	38,661	-	2,000	36,661
Investment earnings	617	-	-	617
Total additions	2,301,310	2,262,032	2,000	37,278
DEDUCTIONS				
Payments of property taxes to other governments	2,262,032	2,262,032	-	-
Payments on behalf of others	40,017	-	-	40,017
Total deductions	2,302,049	2,262,032	-	40,017
Change in net position	(739)	-	2,000	(2,739)
Net position at beginning of year	44,549	-	17,203	27,346
Net position at end of year	\$ 43,810	\$ -	\$ 19,203	\$ 24,607

The accompanying notes are an integral part of this statement.

City of Newaygo
STATEMENT OF NET POSITION
Discretely Presented Component Units
June 30, 2023

	Tax Increment Finance Authority	Local Development Finance Authority	Total
ASSETS			
Current assets			
Cash and investments	\$ 783,615	\$ 299,253	\$ 1,082,868
Receivables			
Accounts	3,030	-	3,030
Leases	14,176	-	14,176
Total current assets	800,821	299,253	1,100,074
Noncurrent assets			
Leases receivable	4,370	-	4,370
Capital assets, net			
Nondepreciable	145,733	-	145,733
Depreciable	1,547,358	-	1,547,358
Net capital assets	1,693,091	-	1,693,091
Total noncurrent assets	1,697,461	-	1,697,461
Total assets	2,498,282	299,253	2,797,535
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	162,877	-	162,877
Bonds and other obligations, due within one year	140,000	-	140,000
Total current liabilities	302,877	-	302,877
Noncurrent liabilities			
Bonds and other obligations, less amounts due within one year	889,642	-	889,642
Total liabilities	1,192,519	-	1,192,519
DEFERRED INFLOWS OF RESOURCES			
Related to leases	18,274	-	18,274
Total liabilities and deferred inflows of resources	1,210,793	-	1,210,793
NET POSITION			
Net investment in capital assets	663,449	-	663,449
Unrestricted	624,040	299,253	923,293
Total net position	\$ 1,287,489	\$ 299,253	\$ 1,586,742

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, 2023

<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	\$ 229,575	\$ -	\$ (229,575)	\$ -	\$ (229,575)
Public works	510,363	-	(510,363)	-	(510,363)
Community and economic development	236,114	146,933	(89,181)	-	(89,181)
Distributions to other taxing authorities	400,000	-	(400,000)	-	(400,000)
Interest on long-term debt	20,184	-	(20,184)	-	(20,184)
Total Tax Increment Finance Authority	1,396,236	146,933	(1,249,303)	-	(1,249,303)
Local Development Finance Authority					
General government	10,000	-	-	(10,000)	(10,000)
Community and economic development	4,980	-	-	(4,980)	(4,980)
Distributions to other taxing authorities	235,294	-	-	(235,294)	(235,294)
Total Local Development Finance Authority	250,274	-	-	(250,274)	(250,274)
Total discretely presented component units	\$ 1,646,510	\$ 146,933	(1,249,303)	(250,274)	(1,499,577)
General revenues					
Property taxes			1,130,702	225,671	1,356,373
Grants and contributions not restricted to specific programs			298,843	-	298,843
Unrestricted investment earnings			29,773	7,187	36,960
Total general revenues			1,459,318	232,858	1,692,176
Change in net position			210,015	(17,416)	192,599
Net position at beginning of year			1,077,474	316,669	1,394,143
Net position at end of year			\$ 1,287,489	\$ 299,253	\$ 1,586,742

The accompanying notes are an integral part of this statement.

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023

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 fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.

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, 2023

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, 2023

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 Receivable

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, 2023

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.

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, 2023

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, 2023

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Property Taxes—Continued

The 2022 state taxable value for real/personal property of the City totaled approximately \$64,877,000 of which approximately \$48,266,000 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, 2023

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, 2023, \$5,013,329 of the City's bank balance of \$6,000,726 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, 2023, cash and investments in the enterprise funds are restricted as follows:

Business-type activities

Water Fund		
Bond and interest redemption		\$ 155,713
Repair and replacement		235,803
		391,516
Sewer Fund		
Bond reserve		81,684
Repair and replacement		179,919
		261,603
		\$ 653,119

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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, 2023 was as follows:

	Balance July 1, 2022	Additions	De du ctions	Balance June 30, 2023
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 425,690	\$ -	\$ -	\$ 425,690
Capital assets, being depreciated:				
Land improvements	1,564,380	-	-	1,564,380
Buildings and improvements	1,555,149	-	-	1,555,149
Furniture, vehicles and equipment	1,657,235	96,207	128,078	1,625,364
Infrastructure	7,899,978	231,080	3,717,684	4,413,374
Shared improvements	1,824,584	-	-	1,824,584
Total capital assets, being depreciated	14,501,326	327,287	3,845,762	10,982,851
Less accumulated depreciation:				
Land improvements	1,343,870	42,783	-	1,386,653
Buildings and improvements	1,060,324	30,974	-	1,091,298
Furniture, vehicles and equipment	1,025,591	143,626	84,949	1,084,268
Infrastructure	5,605,762	295,325	3,717,684	2,183,403
Shared improvements	1,824,584	-	-	1,824,584
Total accumulated depreciation	10,860,131	512,708	3,802,633	7,570,206
Total capital assets, being depreciated, net	3,641,195	(185,421)	43,129	3,412,645
Capital assets, net	\$ 4,066,885	\$ (185,421)	\$ 43,129	\$ 3,838,335

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE D—CAPITAL ASSETS—Continued

	Balance July 1, 2022	Additions	De du ctions	Balance June 30, 2023
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 429,500	\$ -	\$ -	\$ 429,500
Construction in progress	-	30,000	-	30,000
Total capital assets, not being depreciated	429,500	30,000	-	459,500
Capital assets, being depreciated:				
Sewer system	13,570,011	39,819	13,600	13,596,230
Water system	9,503,110	126,946	-	9,630,056
Equipment	318,046	-	-	318,046
Total capital assets, being depreciated	23,391,167	166,765	13,600	23,544,332
Less accumulated depreciation:				
Sewer system	5,188,624	271,856	13,600	5,446,880
Water system	3,535,873	224,626	-	3,760,499
Equipment	270,740	2,833	-	273,573
Total accumulated depreciation	8,995,237	499,315	13,600	9,480,952
Total capital assets, being depreciated, net	14,395,930	(332,550)	-	14,063,380
Capital assets, net	\$ 14,825,430	\$ (302,550)	\$ -	\$ 14,522,880

Depreciation

Depreciation expense has been charged to functions as follows:

Governmental activities:

General government	\$ 42,696
Public safety	924
Public works	337,221
Culture and recreation	24,453
Internal Service Fund depreciation is charged to the various programs based on their usage of the assets	107,414
	\$ 512,708

Business-type activities:

Sewer	\$ 274,329
Water	224,986
	\$ 499,315

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE D—CAPITAL ASSETS—Continued

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
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	2,341,654	90,972	8,905	2,423,721
Less accumulated depreciation:				
Tax Increment Finance Authority				
Buildings and improvements	840,560	44,708	8,905	876,363
Total capital assets, being depreciated, net	1,501,094	46,264	-	1,547,358
Capital assets, net	\$ 1,646,827	\$ 46,264	\$ -	\$ 1,693,091

Depreciation

Depreciation expense has been charged to functions as follows:

Community and economic development	\$ 44,708
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NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund transfers as of June 30, 2023 is as follows:

Interfund transfers:

	Transfers in:		
	Other Governmental Fund	Capital Projects Fund	Total
Transfers out:			
General Fund	\$ -	\$ 100,000	\$ 100,000
Major Street Fund	20,000	-	20,000
Total	\$ 20,000	\$ 100,000	\$120,000

The transfers were for an operational subsidy and capital outlay.

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS—Continued

Component unit transactions:

During the year the TIFA and LDFA contributed the following amounts to the City for the year ended June 30, 2023:

	Governmental Activities
Capital activities	
TIFA	\$ 362,896
Operating activities	
TIFA	33,000
LDFA	10,000
	\$ 405,896

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, 2023, the City recognized rental income and interest income related to the above lease of \$29,094 and \$8,762, respectively.

The TIFA owns a floor of a building and the TIFA has various leases related to this space. For the year ended June 30, 2023, the TIFA recognized rental income and interest income related to the above leases of \$13,917 and \$483, respectively.

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

Year Ended June 30	Governmental Activities		TIFA	
	Principal	Interest	Principal	Interest
2024	\$ 29,637	\$ 8,219	\$ 14,176	\$ 224
2025	30,190	7,666	4,370	30
2026	34,571	7,071	-	-
2027	35,216	6,426	-	-
2028	35,873	5,769	-	-
Thereafter	292,361	19,953	-	-
	\$ 457,848	\$ 55,104	\$ 18,546	\$ 254

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

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, 2023:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Governmental activities:					
Notes from direct borrowings and direct placements	\$ 11,757	\$ -	\$ 5,224	\$ 6,533	\$ 5,224
Compensated absences	54,655	48,206	43,881	58,980	45,000
Governmental activities long-term liabilities	\$ 66,412	\$ 48,206	\$ 49,105	\$ 65,513	\$ 50,224
Business-type activities:					
Public placement debt					
Revenue bonds	\$ 7,185,000	\$ -	\$ 179,000	\$ 7,006,000	\$ 183,000
General obligation bonds	300,000	-	29,000	271,000	29,000
Compensated absences	28,381	29,618	24,743	33,256	21,800
Business-type activities long-term liabilities	\$ 7,513,381	\$ 29,618	\$ 232,743	\$ 7,310,256	\$ 233,800
Component units:					
Public placement debt					
Tax Increment Bonds	\$ 1,175,000	\$ -	\$ 135,000	\$ 1,040,000	\$ 140,000
Discount	(11,952)	-	(1,594)	(10,358)	-
Component units long-term liabilities	\$ 1,163,048	\$ -	\$ 133,406	\$ 1,029,642	\$ 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, 2023

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>\$ 6,533</u>
Public Placement Debt			
Business-type activities:			
Bonds:			
2021 Water Supply System Revenue bonds	1.13% to 2.8%	August 2043	\$ 1,144,000
2013 Water Supply System Bonds	2.125%	August 2053	2,566,000
2021 General Obligation Limited Tax bond	.52% to 1.41%	August 2031	271,000
2021 Sewage Disposal System Revenue bonds	1.13% to 2.8%	August 2043	1,003,000
2018A Sanitary Sewer System Bonds	2.125%	August 2058	1,384,000
2018B Sanitary Sewer System Bonds	2.375%	August 2058	<u>909,000</u>
			<u>\$ 7,277,000</u>
Component units:			
Limited tax development:			
2019 Tax Increment Refunding Bonds	1.85%	June 2030	<u>\$ 1,040,000</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, 2023.

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE G—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

Annual debt service requirements to maturity for public placement debt and for direct borrowings and direct placements outstanding as of June 30, 2023 follow:

Year Ending June 30,	Governmental Activities		Business-type Activities		Component Units	
	Notes from Direct Borrowings		Public Placement Debt		Public Placement Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 5,224	\$ -	\$ 212,000	\$ 155,243	\$ 140,000	\$ 17,945
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	13,089
2029-2033	-	-	1,180,000	632,280	315,000	5,874
2034-2038	-	-	1,182,000	504,611	-	-
2039-2043	-	-	1,334,000	356,917	-	-
2044-2048	-	-	947,000	214,556	-	-
2049-2053	-	-	906,000	119,667	-	-
2054-2058	-	-	540,000	35,448	-	-
2059	-	-	91,000	15,879	-	-
	\$ 6,533	\$ -	\$ 7,277,000	\$ 2,619,577	\$ 1,040,000	\$ 74,972

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.

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE H—OTHER INFORMATION—Continued

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.

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 are required to contribute 2 percent of their annual compensation. Plan provisions and contribution requirements are established and may be amended by the City Council. The plan administrator is ICMA-Retirement Corporation. For fiscal year 2023, the City's total contribution was approximately \$32,900, and the employee contributions were approximately \$8,200.

The City provides pension benefits for all of its full-time hourly employees through the City of Newaygo Hourly Employees Retirement Plan (a defined contribution plan). In the defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Hourly employees, who have attained the age of 18, have completed ninety days of service shall be eligible to participate in the plan. The plan requires the City to contribute an amount equal to 8 percent of the employee's annual compensation each plan year and employees are required to contribute 2 percent of their annual compensation. Hourly employees are 20 percent vested in the City contributions and earnings allocated to the employee account for each year of service. Any forfeitures are reallocated to participants with the regular contribution. Plan provisions and contribution requirements are established and may be amended by the City Council. The plan administrator is ICMA-Retirement Corporation. For fiscal year 2023, the City's total contribution was approximately \$50,300 and the employee contributions were approximately \$12,600.

City of Newaygo
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE I—PENSION PLANS—Continued

Defined Contribution Plans—Continued

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, 2023, there were no forfeitures.

Retirement Health Savings Account

The City offers its employees a retirement health savings account which is a defined contribution plan administered by ICMA. The plan, available to all full time City employees, can only be used to fund health care costs during retirement. The plan requires that the City to contribute certain excess compensated absences amounts to the plan each year. For the year ended June 30, 2023, the City's contribution to the plan was approximately \$20,100.

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 74 percent of the City's property tax value base. Property tax revenues represent approximately 21 percent of the General Fund's revenues.

NOTE K—COMMITMENTS

The City has entered into a contract to purchase property for \$374,000. This purchase will be funded by the General Fund and the TIFA.

NOTE L—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, 2023, the City abated property taxes revenues totaling \$80,000 under this program

NOTE M—SUBSEQUENT EVENT

In July 2023, the City entered into contracts with various third parties to perform building improvements for approximately \$150,000. These improvements are expected to be funded with a capital grant.

REQUIRED SUPPLEMENTARY INFORMATION

City of Newaygo
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 307,972	\$ 307,972	\$ 324,589	\$ 16,617
Licenses and permits	26,200	26,200	29,138	2,938
Intergovernmental revenues				
Federal	4,092	4,092	1,825	(2,267)
State	281,390	327,500	346,394	18,894
Local	439,000	439,000	442,976	3,976
Charges for services	304,428	284,428	287,779	3,351
Fines and forfeitures	17,000	17,000	13,330	(3,670)
Investment earnings	6,500	23,500	35,053	11,553
Other	109,000	48,000	39,176	(8,824)
Total revenues	1,495,582	1,477,692	1,520,260	42,568
EXPENDITURES				
Current				
General government				
City Council	30,668	32,568	30,637	1,931
City manager	46,730	48,230	46,432	1,798
Elections	6,000	6,000	2,958	3,042
Board of review	1,275	1,275	1,171	104
Clerk	32,773	32,773	30,443	2,330
Treasurer	47,297	47,297	45,830	1,467
Assessor	23,800	23,800	20,637	3,163
Attorney	25,000	72,000	66,948	5,052
City offices	149,503	162,303	149,799	12,504
Cemetery	86,248	86,248	78,373	7,875
Public safety				
Law enforcement	629,295	629,295	625,885	3,410
Public works	223,790	279,400	258,571	20,829
Community and economic development				
Planning	7,000	7,000	3,919	3,081
Culture and recreation				
Parks	219,470	163,600	143,084	20,516
Total expenditures	1,528,849	1,591,789	1,504,687	87,102
Excess of revenues over (under) expenditures	(33,267)	(114,097)	15,573	129,670
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(100,000)	(100,000)	-
Net change in fund balance	<u>\$ (33,267)</u>	<u>\$ (214,097)</u>	(84,427)	<u>\$ 129,670</u>
Fund balance at beginning of year			1,027,283	
Fund balance at end of year			<u>\$ 942,856</u>	

City of Newaygo
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Major Streets Fund
For the year ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues				
State	\$ 303,000	\$ 303,000	\$ 315,663	\$ 12,663
Investment earnings	1,000	1,000	12,178	11,178
Other	15,000	15,000	14,198	(802)
	<hr/>			
Total revenues	319,000	319,000	342,039	23,039
EXPENDITURES				
Current				
Public works	298,750	308,350	197,380	110,970
	<hr/>			
Excess of revenues over (under) expenditures	20,250	10,650	144,659	134,009
OTHER FINANCING USES				
Transfers out	(20,000)	(20,000)	(20,000)	-
	<hr/>			
Net change in fund balance	\$ 250	\$ (9,350)	124,659	\$ 134,009
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Fund balance at beginning of year			530,556	
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Fund balance at end of year			\$ 655,215	

OTHER SUPPLEMENTARY INFORMATION

City of Newaygo
COMBINING BALANCE SHEET
 Other Governmental Funds
 June 30, 2023

	Total Other Governmental Funds	Special Revenue Funds			Capital Projects Fund
		Local Streets	Principal Shopping District	Building Inspection	Disc Golf
ASSETS					
Cash and investments	\$ 397,845	\$ 332,450	\$ 24,854	\$ 7,805	\$ 32,736
Accounts receivable	6,539	-	4,904	1,635	-
Due from other governmental units	17,391	17,391	-	-	-
Total assets	\$ 421,775	\$ 349,841	\$ 29,758	\$ 9,440	\$ 32,736
LIABILITIES					
Accounts payable	\$ 18,195	\$ 15,000	\$ 1,754	\$ 1,441	\$ -
Accrued liabilities	2,249	2,149	-	100	-
Total liabilities	20,444	17,149	1,754	1,541	-
FUND BALANCES					
Restricted					
Streets and highways	332,692	332,692	-	-	-
Capital projects	32,736	-	-	-	32,736
Shopping district	28,004	-	28,004	-	-
Building inspection	7,899	-	-	7,899	-
Total fund balances	401,331	332,692	28,004	7,899	32,736
Total liabilities and fund balances	\$ 421,775	\$ 349,841	\$ 29,758	\$ 9,440	\$ 32,736

City of Newaygo
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 Other Governmental Funds
 For the year ended June 30, 2023

	Total Other Governmental Funds	Special Revenue Funds			Capital Projects Fund
		Local Streets	Principal Shopping District	Building Inspection	Disc Golf
REVENUES					
Intergovernmental revenues—State	\$ 102,637	\$ 102,637	\$ -	\$ -	\$ -
Charges for services	103,379	-	49,544	53,835	-
Investment earnings	6,989	6,356	633	-	-
Other	13,934	13,934	-	-	-
Total revenues	226,939	122,927	50,177	53,835	-
EXPENDITURES					
Current					
Public works	162,988	108,100	54,888	-	-
Community and economic development	55,830	-	-	55,830	-
Culture and recreation	9,977	-	-	-	9,977
Total expenditures	228,795	108,100	54,888	55,830	9,977
Excess of revenues over (under) expenditures	(1,856)	14,827	(4,711)	(1,995)	(9,977)
OTHER FINANCING SOURCES					
Transfers in	20,000	20,000	-	-	-
Net change in fund balances	18,144	34,827	(4,711)	(1,995)	(9,977)
Fund balances at beginning of year	383,187	297,865	32,715	9,894	42,713
Fund balances at end of the year	\$ 401,331	\$ 332,692	\$ 28,004	\$ 7,899	\$ 32,736