



**CITY OF NEW BUFFALO**  
**BERRIEN COUNTY, MICHIGAN**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2020**

## TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	5
<b>BASIC FINANCIAL STATEMENTS</b>	
<hr/>	
<b>Government-wide Financial Statements</b>	
Statement of Net Position	18
Statement of Activities	19
<b>Fund Financial Statements</b>	
<b>Governmental Funds</b>	
Balance Sheet	20
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures, and Changes in Fund Balance	22
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities	23
<b>Proprietary Funds</b>	
Statement of Net Position	24
Statement of Revenues, Expenses, and Changes in Net Position	25
Statement of Cash Flows	26
<b>Fiduciary Fund</b>	
Statement of Fiduciary Assets and Liabilities	28
<b>Notes to the Financial Statements</b>	30
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<hr/>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	50
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Major Street Fund	51
Schedule of Changes in Net Pension Liability and Related Ratios	52
Schedule of Contributions	53
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
<hr/>	
<b>Nonmajor Governmental Funds</b>	
Combining Balance Sheet	55
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	56

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council  
City of New Buffalo, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of New Buffalo, Michigan (the "City") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the investment in joint venture (the GRSD Sewer Authority), whose balance comprises approximately 30.8 percent and 74.5 percent of the total assets of the business-type activities and the sewer fund, respectively. Their financial statements were audited by other auditors whose report has been furnished to us and, in our opinion, insofar as it relates to the amounts included for these investments, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedules, and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC  
Grand Rapids, Michigan  
October 30, 2020

## **Management's Discussion and Analysis**

**City of New Buffalo**  
**Management's Discussion and Analysis**  
**June 30, 2020**

As management of the City of New Buffalo (the "City" or "government"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

**Financial Highlights**

The financial statements, which follow this management's discussion and analysis, provide these significant financial highlights for the 2020 fiscal year, as follows:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of this fiscal year by \$20,219,576 (shown as *net position*), representing an increase of \$465,120 over the previous fiscal year.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$4,206,354, a decrease of \$253,869 in comparison with the prior year. Approximately 46.5% of this amount, \$1,872,953, is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,872,953, or 66.3% of the general fund's total expenditures and transfers out. The Government Finance Officers Association, in its best practices for Fund Balance Guidelines for the General Fund document, recommends that, at a minimum, unrestricted budgetary fund balance in their general fund shall be no less than two months of regular general fund operating revenues (or regular general fund operating expenditures). The City's unassigned fund balance level is above this best practice benchmark as of year-end.
- Total fund balance of the general fund increased by \$428,113 during the year for an ending total balance of \$1,986,363.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the 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 readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community and economic development, and recreation and culture. The business-type activities of the City include sewer and water operations.

### ***Component Unit***

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate component unit, the Downtown Development Authority, for which the City is financially accountable. Information for the Downtown Development Authority are reported separately from the financial information presented for the primary government.

### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources



available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, casino, and capital improvement construction funds, which are considered major funds. Data is combined into a single aggregated presentation for the other governmental funds (nonmajor governmental funds). Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements and schedules.

The City adopts an annual appropriated budget for its general fund and all special revenue funds, as required by state law. Budgetary comparison schedules have been provided for the general fund and the casino fund (as required supplemental information).

### ***Proprietary Funds***

The City maintains two separate enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The City uses enterprise funds to account for its sewer and water operations, which are considered to be major funds of the City.

### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

### ***Notes to the 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.

### ***Other information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this discussion and analysis, required pension information, and budget and actual presentations. Supplemental information

follows the required pension information and includes combining and individual fund statements and schedules.

The combining statements referred to earlier in connection with nonmajor governmental are presented immediately following the required supplementary information on pensions.

## **Government-wide Financial Analysis**

### ***Statement of Net Position***

The largest portion of the City's net position, \$10,977,369, or 54.3%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$1,427,069, or 7.1%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$7,815,138 or 38.8%, may be used to meet the City's ongoing obligations to citizens and creditors. The unrestricted net position of the City increased from \$6,743,920 as of June 30, 2019 to \$7,815,138 as of June 30, 2020.

Cash and investments within governmental activities decreased by \$1,074,946 primarily as a result of substantial capital asset purchases during the year. Significant additions included street repaving projects (\$600,601), the Whittaker Street Bridge project (\$571,871. Due from governmental units decreased by \$39,676 compared to the prior year. The most significant reason for the decrease was legislative changes requiring the final state aid payment of \$23,799 to be recognized as revenue in July 2020 (despite being earned in June 2020).

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$20,219,576 at the close of the most recent fiscal year. The following chart illustrates the composition of net position at the close of each of the past two fiscal years:

**City of New Buffalo's Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
<b>ASSETS</b>						
<i>Current Assets</i>						
Cash and Investments	\$ 4,245,862	\$ 4,460,432	\$ 2,651,848	\$ 3,512,224	\$ 6,897,710	\$ 7,972,656
Accounts Receivable	74,478	43,566	278,160	261,731	352,638	305,297
Due from Other Governmental Units	70,090	109,766	-	-	70,090	109,766
Prepaid Items	89,858	49,940	16,659	9,588	106,517	59,528
<b>Total Current Assets</b>	<b>4,480,288</b>	<b>4,663,704</b>	<b>2,946,667</b>	<b>3,783,543</b>	<b>7,426,955</b>	<b>8,447,247</b>
<i>Noncurrent Assets</i>						
Investment in Joint Venture	-	-	3,746,642	3,837,249	3,746,642	3,837,249
Capital Assets not being Depreciated	320,616	394,988	20,500	106,807	341,116	501,795
Capital Assets being Depreciated, net	10,831,633	10,295,952	5,416,569	4,988,983	16,248,202	15,284,935
<b>Total Assets</b>	<b>15,632,537</b>	<b>15,354,644</b>	<b>12,130,378</b>	<b>12,716,582</b>	<b>27,762,915</b>	<b>28,071,226</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Loss on Bond Refunding	-	-	35,341	39,342	35,341	39,342
Deferred Pension Amounts	100,538	169,851	26,244	43,530	126,782	213,381
<b>Total Deferred Outflows of Resources</b>	<b>100,538</b>	<b>169,851</b>	<b>61,585</b>	<b>82,872</b>	<b>162,123</b>	<b>252,723</b>
<b>LIABILITIES</b>						
<i>Current Liabilities</i>						
Accounts Payable	204,884	144,383	393,537	626,301	598,421	770,684
Accrued Liabilities	69,143	59,098	15,231	13,947	84,374	73,045
Accrued Interest	34,834	37,181	19,891	20,914	54,725	58,095
Current Portion of Compensated Absences	60,049	44,060	18,690	19,327	78,739	63,387
Current Portion of Long-term Debt	287,387	339,269	194,399	193,430	481,786	532,699
Internal Balances	(93)	-	93	-	-	-
<b>Total Current Liabilities</b>	<b>656,204</b>	<b>623,991</b>	<b>641,841</b>	<b>873,919</b>	<b>1,298,045</b>	<b>1,497,910</b>
<i>Noncurrent Liabilities</i>						
Compensated Absences	10,018	16,982	24,957	36,005	34,975	52,987
Long-term Debt	3,312,726	3,588,165	2,597,899	2,796,952	5,910,625	6,385,117
Net Pension Liability	212,084	279,525	55,361	71,637	267,445	351,162
<b>Total Liabilities</b>	<b>4,191,032</b>	<b>4,508,663</b>	<b>3,320,058</b>	<b>3,778,513</b>	<b>7,511,090</b>	<b>8,287,176</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Pension Amounts	154,137	224,724	40,235	57,593	194,372	282,317
<b>Total Deferred Inflows of Resources</b>	<b>154,137</b>	<b>224,724</b>	<b>40,235</b>	<b>57,593</b>	<b>194,372</b>	<b>282,317</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	7,552,136	6,763,506	3,425,233	4,070,866	10,977,369	10,834,372
Restricted	1,427,069	2,176,164	-	-	1,427,069	2,176,164
Unrestricted	2,408,701	1,851,438	5,406,437	4,892,482	7,815,138	6,743,920
<b>Total Net Position</b>	<b>\$ 11,387,906</b>	<b>\$ 10,791,108</b>	<b>\$ 8,831,670</b>	<b>\$ 8,963,348</b>	<b>\$ 20,219,576</b>	<b>\$ 19,754,456</b>

**Statement of Activities**

The City's total revenue for the fiscal year ended June 30, 2020 was \$6,836,420 while total cost of all programs and services was \$6,371,300. This results in an increase in net position of \$465,120.

The following table presents a summary of the changes in net position for the years ended June 30, 2020 and June 30, 2019:

**City of New Buffalo's Changes in Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 885,097	\$ 832,829	\$ 2,201,691	\$ 2,130,850	\$ 3,086,788	\$ 2,963,679
Operating Grants and Contributions	821,328	1,272,840	-	-	821,328	1,272,840
Capital Grants and Contributions	41,268	38,670	-	-	41,268	38,670
<b>Total Program Revenues</b>	<u>1,747,693</u>	<u>2,144,339</u>	<u>2,201,691</u>	<u>2,130,850</u>	<u>3,949,384</u>	<u>4,275,189</u>
<b>General Revenues</b>						
Property Taxes	2,657,116	2,575,294	-	-	2,657,116	2,575,294
State Revenue Sharing	138,761	162,706	-	-	138,761	162,706
Income (Loss) from Joint Venture	-	-	(90,607)	229,464	(90,607)	229,464
Other Revenue	-	28,891	125,000	-	125,000	28,891
Interest Income	22,945	31,785	33,821	51,343	56,766	83,128
<b>Total General Revenues</b>	<u>2,818,822</u>	<u>2,798,676</u>	<u>68,214</u>	<u>280,807</u>	<u>2,887,036</u>	<u>3,079,483</u>
<b>Total Revenues</b>	<u>4,566,515</u>	<u>4,943,015</u>	<u>2,269,905</u>	<u>2,411,657</u>	<u>6,836,420</u>	<u>7,354,672</u>
<b>Expenses</b>						
General Government	784,438	842,310	-	-	784,438	842,310
Public Safety	1,150,827	1,070,120	-	-	1,150,827	1,070,120
Public Works	1,198,058	985,071	-	-	1,198,058	985,071
Health and Welfare	106,056	102,968	-	-	106,056	102,968
Community and Economic Development	2,572	4,041	-	-	2,572	4,041
Recreation and Culture	839,799	648,317	-	-	839,799	648,317
Other Expenses	-	171,983	-	-	-	171,983
Interest on Long-term Debt	101,004	132,703	-	-	101,004	132,703
Sewer and Water	-	-	2,188,546	2,104,842	2,188,546	2,104,842
<b>Total Expenses</b>	<u>4,182,754</u>	<u>3,957,513</u>	<u>2,188,546</u>	<u>2,104,842</u>	<u>6,371,300</u>	<u>6,062,355</u>
<b>Excess or Deficiency Before Transfers</b>	<u>383,761</u>	<u>985,502</u>	<u>81,359</u>	<u>306,815</u>	<u>465,120</u>	<u>1,292,317</u>
<b>Transfers In (Out)</b>	<u>213,037</u>	<u>239,487</u>	<u>(213,037)</u>	<u>(239,487)</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position</b>	<u>596,798</u>	<u>1,224,989</u>	<u>(131,678)</u>	<u>67,328</u>	<u>465,120</u>	<u>1,292,317</u>
<i>Net Position at the Beginning of Period</i>	<u>10,791,108</u>	<u>9,566,119</u>	<u>8,963,348</u>	<u>8,896,020</u>	<u>19,754,456</u>	<u>18,462,139</u>
<b>Net Position at the End of Period</b>	<u>\$ 11,387,906</u>	<u>\$ 10,791,108</u>	<u>\$ 8,831,670</u>	<u>\$ 8,963,348</u>	<u>\$ 20,219,576</u>	<u>\$ 19,754,456</u>

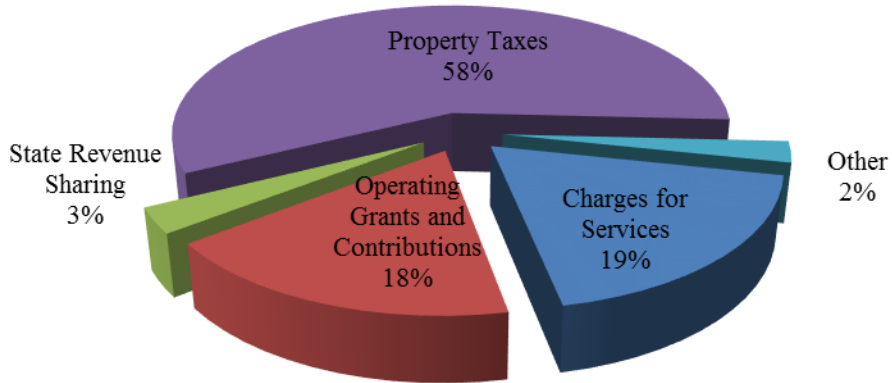
**Governmental Activities.** Governmental activities increased the City's net position by \$596,798 for the year ended June 30, 2020 compared to an increase of \$1,224,989 for the year ended June 30, 2019. Operating grants and contributions decreased by \$466,787 within governmental activities largely in part due to decreased funding from the casino revenue sharing board. Property tax revenues increased by \$81,822 as a result of an increased taxable value in the City from \$230,598,953 in the prior year to \$238,536,824 in the current year.

Public works expenses increased by \$212,987 due in part to increased street projects as well as an increase in depreciation expense recognized on capital projects. Repair and maintenance and engineering increased within the parks fund increasing recreation and culture expenses by \$191,482 compared to the prior year. The vast majority of the increase was a result of increased lake levels and the required high-water mitigation efforts.

**Business-type Activities.** Business-type activities decreased the City's net position by \$131,678 for the year ended June 30, 2020 compared to an increase of \$67,328 for the year ended June 30, 2019. The sewer fund revenues increased by 1.7% while expenses increased by \$260,206. The most significant increase was costs charged from the GRSD Sewer Authority; there was also a \$125,000 decrease in expected payments due to the GRSD Sewer Authority as a resolution in cost being charged was reached. The \$125,000 was reported as other revenue during 2020.

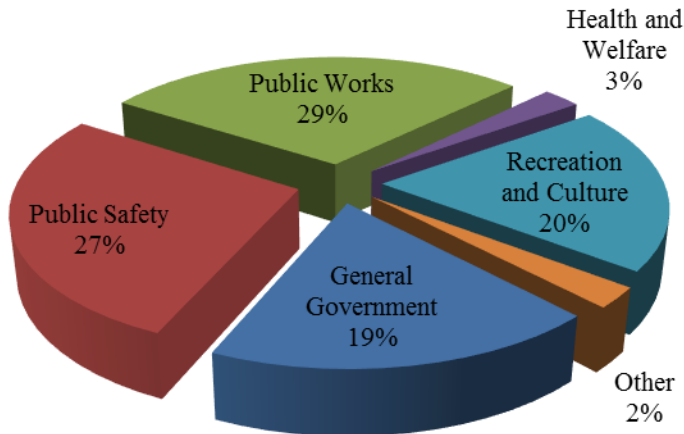
The following chart summarizes the revenue sources for the governmental activities of the City for the most recent fiscal year-end:

### Governmental Activities Revenues



The following chart summarizes the expenses for the governmental activities of the City for the most recent fiscal year-end:

### Governmental Activities Expenses



## **Financial Analysis of the Government's Funds**

As noted earlier, 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 of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

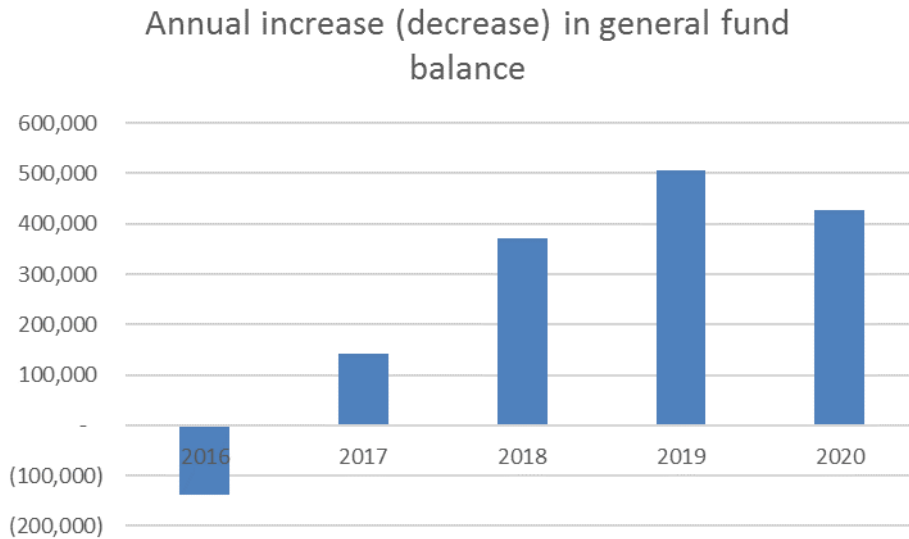
At June 30, 2020, the City's governmental funds reported combined fund balances of \$4,206,223, a decrease of \$253,869 in comparison with the prior year. Approximately 44.5% of this amount, or \$1,872,953, constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is either *nonspendable* or *restricted* to indicate that it is 1) not in spendable form, \$89,858, or 2.1%, for prepaid items, 2) assigned for particular purposes, \$816,474, or 19.5%, or 3) restricted for particular purposes \$1,427,069, or 33.9%.

### ***General Fund***

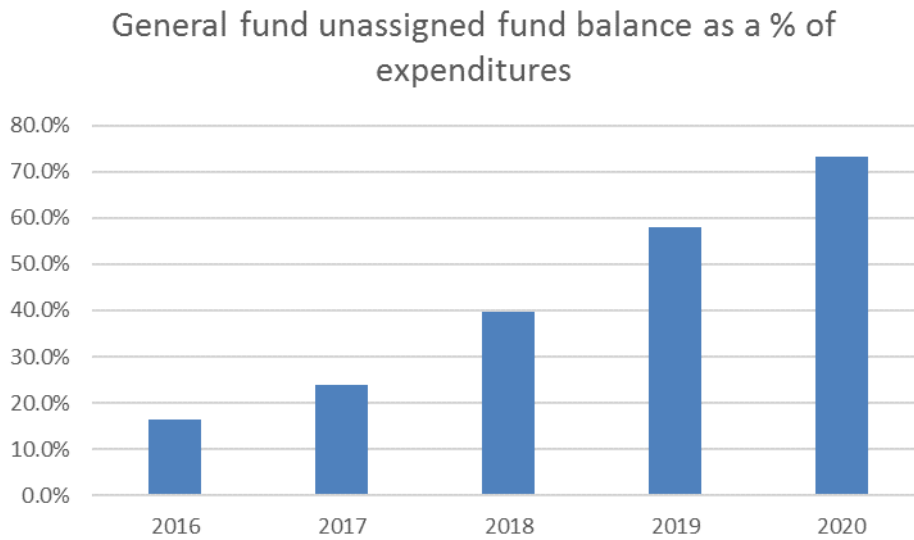
The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,872,953, while total fund balance increased to \$1,986,363. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 66.3% of total general fund expenditures and transfers out, while total fund balance represents approximately 70.3% of that same amount.

The fund balance of the City's general fund increased by \$428,113 during the current fiscal year. Transfers out increased from \$198,163 during 2019 to \$267,313 during 2020. The most significant reason for the increase was \$60,000 of increased transfers out during 2020 to the park fund to subsidize the high-water mitigation expenditures incurred during 2020. The City Council monitors the expenditures of the general fund closely to ensure that spending does not exceed the City's available resources.

The following chart shows the annual increase (decrease) in general fund balance for the most recently completed five fiscal years:



The following chart shows the general fund’s assigned fund balance as a percentage of annualized expenditures as of year-end for each of the most recently completed five fiscal years:



***Major Streets***

The major streets fund decreased by \$111,544 during the current fiscal year for ending balance of \$319,177. The decrease in fund balance was a result of \$571,871 expenditures incurred for the Whittaker Street Bridge project. A portion of the project was subsidized with a \$300,000 transfer in from the casino revenue sharing fund.

### ***Capital Improvement Construction Fund***

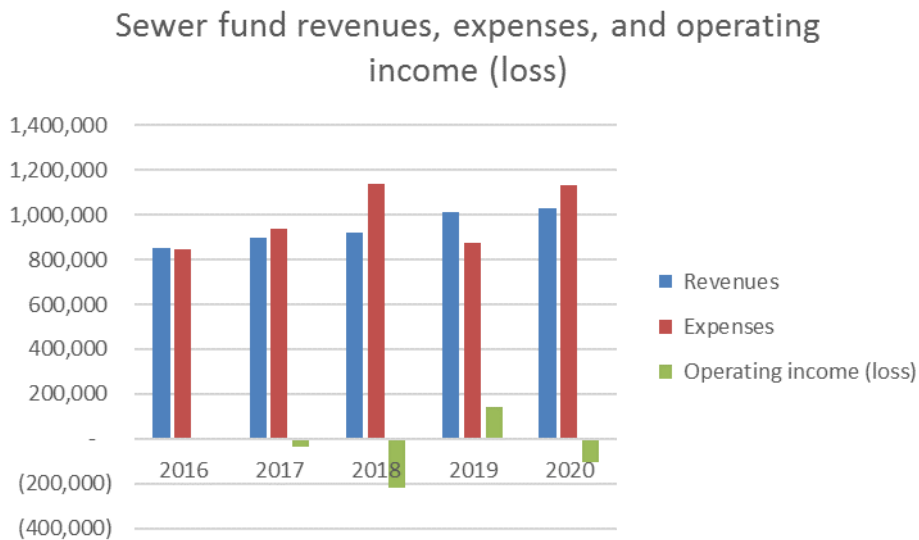
The capital improvement construction fund decreased by \$604,899 during the current fiscal year for an ending fund balance of \$106,296. The decrease is primarily related to capital outlay of \$606,001, which is associated with repaving of several local streets throughout the City.

### ***Proprietary Funds***

The City’s proprietary (both of which are considered enterprise funds) funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City’s enterprise funds are used to track its water and sewer operations. The sewer and water funds provide service to most residents and businesses of the City. The sewer and water funds increased (decreased) net position by \$(219,561) and \$87,883 respectively. Changes for the sewer and water funds were explained in an earlier section of this report.

The following chart shows the sewer fund’s operating revenues, operating expenses, and operating income (loss) for each of the most recently completed five fiscal year ends:



### **General Fund Budgetary Highlights**

***Original budget compared to final budget.*** During the year the budget was amended to increase the original estimated revenues and original budgeted appropriations. There was a need to make an amendment to reallocate appropriations among departments. Generally, the movement of the appropriations between departments was not significant.



**Final budget compared to actual results.** The City had the following expenditures in excess of the amounts appropriated during the year ended June 30, 2020:

	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<b>General Fund</b>			
Executive	\$ 69,974	\$ 71,407	\$ (1,433)
Assessor	29,360	31,725	(2,365)
Zoning Board of Appeals	1,300	1,318	(18)
Transfers Out	187,313	267,313	(80,000)

The budget variances were minor, with one exception. An additional transfer out from the general fund to the park fund was necessary to cover high-water mitigation expenditures incurred late in the fiscal year. However, the required transfer was after the City adopted its final amended budget.

### **Capital Asset and Debt Administration**

#### ***Capital Assets***

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2020 amounted to \$16,589,318 (net of accumulated depreciation). Of this amount, \$11,152,249 was for its governmental activities and \$5,437,069 was for its business-type activities. This investment in capital assets includes land, buildings, equipment and vehicles, and infrastructure.

Significant capital asset additions during the year include the following:

- Mechanic Street water main replacement \$479,276
- Whittaker bridge reconstruction \$520,171
- Other street construction programs \$606,001

Additional information on the City's capital assets can be found in Note 5 to these financial statements.

#### ***Long-term Debt***

At the end of the current fiscal year, the City had total long-term debt outstanding of \$6,392,411. The City reduced its long-term debt by \$525,405 during the year. Of the total outstanding debt, \$3,600,113 was for governmental activities while \$2,792,298 was for business-type activities.

Additional information on the City's long-term debt can be found in Note 6 to these financial statements.

### **Economic Factors and Next Year's Budgets and Rates**

Management estimates that approximately \$3.21 million of revenues will be available for appropriation in the general fund in the upcoming budget. Expenditures are expected to change by

small amounts compared to 2020. The City continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2021, the City plans again to use current revenues to provide essential services and to maintain the City's financial reserves at similar levels. The ongoing costs of providing essential services for the citizens of the City will again need to be monitored in order to maintain the financial condition of the City. Additionally, management and the City Council are currently working to determine the significance that the COVID-19 Pandemic will have on the City's upcoming revenues.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Attn: City Treasurer  
City of New Buffalo  
224 W Buffalo St.  
New Buffalo, MI 49117

or (269) 469-1500

## **Basic Financial Statements**

**City of New Buffalo  
Statement of Net Position  
June 30, 2020**

	<b>Primary Government</b>			<b>Component Unit - DDA</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and Investments	\$ 4,245,862	\$ 2,651,848	\$ 6,897,710	\$ 273
Accounts Receivable	74,478	278,160	352,638	--
Due from Other Governmental Units	70,090	--	70,090	--
Prepays	89,858	16,659	106,517	--
<b>Total Current Assets</b>	<b>4,480,288</b>	<b>2,946,667</b>	<b>7,426,955</b>	<b>273</b>
<i>Noncurrent Assets</i>				
Capital Assets not being Depreciated	320,616	20,500	341,116	--
Capital Assets being Depreciated, net	10,831,633	5,416,569	16,248,202	--
Investment in Joint Venture	--	3,746,642	3,746,642	--
<b>Total Assets</b>	<b>15,632,537</b>	<b>12,130,378</b>	<b>27,762,915</b>	<b>273</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Loss on Refunding	--	35,341	35,341	--
Pension	100,538	26,244	126,782	--
<b>Total Deferred Outflows of Resources</b>	<b>100,538</b>	<b>61,585</b>	<b>162,123</b>	<b>--</b>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	204,884	393,537	598,421	--
Accrued Liabilities	69,143	15,231	84,374	--
Accrued Interest	34,834	19,891	54,725	--
Current Portion of Long-term Debt	287,387	194,399	481,786	--
Current Portion of Compensated Absences	60,049	18,690	78,739	--
Internal Balances	(93)	93	--	--
<b>Total Current Liabilities</b>	<b>656,204</b>	<b>641,841</b>	<b>1,298,045</b>	<b>--</b>
<i>Noncurrent Liabilities</i>				
Long-term Debt	3,312,726	2,597,899	5,910,625	--
Compensated Absences	10,018	24,957	34,975	--
Net Pension Liability	212,084	55,361	267,445	--
<b>Total Liabilities</b>	<b>4,191,032</b>	<b>3,320,058</b>	<b>7,511,090</b>	<b>--</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension	154,137	40,235	194,372	--
<b>Total Deferred Inflows of Resources</b>	<b>154,137</b>	<b>40,235</b>	<b>194,372</b>	<b>--</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	7,552,136	3,425,233	10,977,369	--
<i>Restricted for:</i>				
Ambulance	31,813	--	31,813	--
Streets and Highways	630,108	--	630,108	--
Debt Service	3,040	--	3,040	--
City Projects	760,730	--	760,730	--
Public Safety	1,378	--	1,378	--
<i>Unrestricted</i>	2,408,701	5,406,437	7,815,138	273
<b>Total Net Position</b>	<b>\$ 11,387,906</b>	<b>\$ 8,831,670</b>	<b>\$ 20,219,576</b>	<b>\$ 273</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of New Buffalo  
Statement of Activities  
For the Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Unit - DDA
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary Government</b>								
<b>Governmental Activities:</b>								
General Government	\$ 784,438	\$ 137,991	\$ 395,562	\$ 30,518	\$ (220,367)	\$ --	\$ (220,367)	\$ --
Public Safety	1,150,827	54,133	75,865	10,750	(1,010,079)	--	(1,010,079)	--
Public Works	1,198,058	273,151	325,444	--	(599,463)	--	(599,463)	--
Health and Welfare	106,056	--	--	--	(106,056)	--	(106,056)	--
Community and Economic Development	2,572	--	--	--	(2,572)	--	(2,572)	--
Recreation and Culture	839,799	419,822	24,457	--	(395,520)	--	(395,520)	--
Interest on Long-term Debt	101,004	--	--	--	(101,004)	--	(101,004)	--
<b>Total Governmental Activities</b>	<b>4,182,754</b>	<b>885,097</b>	<b>821,328</b>	<b>41,268</b>	<b>(2,435,061)</b>	<b>--</b>	<b>(2,435,061)</b>	<b>--</b>
<b>Business-type Activities:</b>								
Sewer	1,160,332	1,030,195	--	--	--	(130,137)	(130,137)	--
Water	1,028,214	1,171,496	--	--	--	143,282	143,282	--
<b>Total Business-type Activities</b>	<b>2,188,546</b>	<b>2,201,691</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>13,145</b>	<b>13,145</b>	<b>--</b>
<b>Total Primary Government</b>	<b>\$ 6,371,300</b>	<b>\$ 3,086,788</b>	<b>\$ 821,328</b>	<b>\$ 41,268</b>	<b>\$ (2,435,061)</b>	<b>\$ 13,145</b>	<b>\$ (2,421,916)</b>	<b>--</b>
<b>Component Unit</b>								
Downtown Development Authority	\$ --	\$ --	\$ --	\$ --	--	--	--	--
<b>Total Component Unit</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>General Purpose Revenues and Transfers:</b>								
<b>Revenues</b>								
Taxes					2,657,116	--	2,657,116	--
Interest Income					22,945	33,821	56,766	1
State Revenues					138,761	--	138,761	--
Loss from Joint Venture					--	(90,607)	(90,607)	--
Gain on Change of Estimated Liability					--	125,000	125,000	--
<b>Transfers</b>					213,037	(213,037)	--	--
<b>Total General Revenues and Transfers</b>					<b>3,031,859</b>	<b>(144,823)</b>	<b>2,887,036</b>	<b>1</b>
<b>Change in Net Position</b>					<b>596,798</b>	<b>(131,678)</b>	<b>465,120</b>	<b>1</b>
<i>Net Position at Beginning of Period</i>					10,791,108	8,963,348	19,754,456	272
<b>Net Position at End of Period</b>					<b>\$ 11,387,906</b>	<b>\$ 8,831,670</b>	<b>\$ 20,219,576</b>	<b>\$ 273</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of New Buffalo  
Balance Sheet  
Governmental Funds  
June 30, 2020**

	<u>General</u>	<u>Special Revenue Major Streets</u>	<u>Capital Projects Capital Improvement Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Investments	\$ 2,004,312	\$ 317,690	\$ 146,117	\$ 1,777,743	\$ 4,245,862
Accounts Receivable	39,183	--	--	35,295	74,478
Due from Other Governmental Units	25,628	29,124	--	15,338	70,090
Prepays	81,597	--	--	8,261	89,858
Due from Other Funds	93	--	--	21,152	21,245
<b>Total Assets</b>	<b>\$ 2,150,813</b>	<b>\$ 346,814</b>	<b>\$ 146,117</b>	<b>\$ 1,857,789</b>	<b>\$ 4,501,533</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 100,224	\$ 25,313	\$ 39,821	\$ 39,526	\$ 204,884
Accrued Liabilities	43,074	2,324	--	23,745	69,143
Due to Other Funds	21,152	--	--	--	21,152
<b>Total Liabilities</b>	<b>164,450</b>	<b>27,637</b>	<b>39,821</b>	<b>63,271</b>	<b>295,179</b>
<b>FUND BALANCE</b>					
Nonspendable	81,597	--	--	8,261	89,858
Restricted	31,813	319,177	106,296	969,783	1,427,069
Assigned	--	--	--	816,474	816,474
Unassigned	1,872,953	--	--	--	1,872,953
<b>Total Fund Balance</b>	<b>1,986,363</b>	<b>319,177</b>	<b>106,296</b>	<b>1,794,518</b>	<b>4,206,354</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 2,150,813</b>	<b>\$ 346,814</b>	<b>\$ 146,117</b>	<b>\$ 1,857,789</b>	<b>\$ 4,501,533</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of New Buffalo**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2020**

Total Fund Balance - Governmental Funds	\$	4,206,354
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. This represents the cost of capital assets of \$19,238,498 less accumulated depreciation of \$8,086,249.		11,152,249
Accrued interest on long-term obligations is not due and payable in the current period and is not reported in the funds.		(34,834)
Compensated absences are not due and payable in the current period and is not reported in the funds.		(70,067)
Net pension liabilities and pension related deferred outflows and inflows are not due and payable in the current period and are not reported in the funds.		(265,683)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Long-term liabilities at year-end consist of general obligation debt and a capital lease obligation.		(3,600,113)
<b>Total Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>11,387,906</u></b>

**City of New Buffalo**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

	<u>General</u>	<u>Special Revenue</u> Major Streets	<u>Capital Projects</u> Capital Improvement Construction	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 2,547,775	\$ --	\$ --	\$ 109,341	\$ 2,657,116
Licenses and Permits	53,902	--	--	--	53,902
State Revenues	165,146	208,677	--	118,057	491,880
Contributions from Local Units	--	--	--	290,674	290,674
Charges for Services	374,306	--	--	419,247	793,553
Fines, Fees, and Forfeits	224	--	--	--	224
Interest and Rents	12,523	3,027	2,052	6,318	23,920
Other Revenue	100,221	--	--	155,025	255,246
<b>Total Revenues</b>	<u>3,254,097</u>	<u>211,704</u>	<u>2,052</u>	<u>1,098,662</u>	<u>4,566,515</u>
<b>Expenditures</b>					
General Government	712,310	--	--	4,955	717,265
Public Safety	1,121,988	--	--	452	1,122,440
Public Works	567,342	623,248	950	107,290	1,298,830
Health and Welfare	106,056	--	--	--	106,056
Community and Economic Development	2,572	--	--	--	2,572
Recreation and Culture	--	--	--	666,786	666,786
Other	48,403	--	--	--	48,403
Capital Outlay	--	--	606,001	34,396	640,397
Debt Service - Principal	--	--	--	351,241	351,241
Debt Service - Interest	--	--	--	113,827	113,827
<b>Total Expenditures</b>	<u>2,558,671</u>	<u>623,248</u>	<u>606,951</u>	<u>1,278,947</u>	<u>5,067,817</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>695,426</u>	<u>(411,544)</u>	<u>(604,899)</u>	<u>(180,285)</u>	<u>(501,302)</u>
<b>Other Financing Sources (Uses)</b>					
Issuance of Capital Lease	--	--	--	34,396	34,396
Transfers In	--	300,000	--	673,940	973,940
Transfers Out	(267,313)	--	--	(493,590)	(760,903)
<b>Net Other Financing Sources (Uses)</b>	<u>(267,313)</u>	<u>300,000</u>	<u>--</u>	<u>214,746</u>	<u>247,433</u>
<b>Net Change in Fund Balance</b>	<b>428,113</b>	<b>(111,544)</b>	<b>(604,899)</b>	<b>34,461</b>	<b>(253,869)</b>
<i>Fund Balance at Beginning of Period</i>	1,558,250	430,721	711,195	1,760,057	4,460,223
<b>Fund Balance at End of Period</b>	<u>\$ 1,986,363</u>	<u>\$ 319,177</u>	<u>\$ 106,296</u>	<u>\$ 1,794,518</u>	<u>\$ 4,206,354</u>

The Notes to the Financial Statements are an integral part of these Financial Statements



**City of New Buffalo**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended June 30, 2020**

Total Net Change in Fund Balances - Governmental Funds	\$	(253,869)
<p>Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This amount represents current year capital outlay of \$1,183,152 less depreciation expense of \$712,131 and net disposal of capital assets of \$9,712.</p>		
		461,309
<p>Repayment of long-term debt are reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount represents the current year principal payments on long-term debt.</p>		
		342,352
<p>In governmental funds, interest payments on outstanding debt are reported as an expenditure when paid whereas in the statement of activities, interest is reported as incurred. This represents the change in accrued interest during the year.</p>		
		12,823
<p>Compensated absences 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. This represents the change in compensated absences during the year.</p>		
		(9,025)
<p>The net pension liability and pension related deferred inflows and outflows, 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. This represents the change in net pension liability and pension related deferred inflows and outflows during the year.</p>		
		43,208
<b>Changes in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>596,798</u></b>

**City of New Buffalo  
Statement of Net Position  
Proprietary Funds  
June 30, 2020**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sewer</b>	<b>Water</b>	<b>Total Enterprise Funds</b>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and Investments	\$ 486,981	\$ 2,164,867	\$ 2,651,848
Accounts Receivable	142,972	135,188	278,160
Prepays	1,286	15,373	16,659
<b>Total Current Assets</b>	<b>631,239</b>	<b>2,315,428</b>	<b>2,946,667</b>
<i>Noncurrent Assets</i>			
Capital Assets not being Depreciated	3,500	17,000	20,500
Capital Assets being Depreciated, net	642,324	4,774,245	5,416,569
Investment in Joint Venture	3,746,642	--	3,746,642
<b>Total Assets</b>	<b>5,023,705</b>	<b>7,106,673</b>	<b>12,130,378</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Loss on Refunding	35,341	--	35,341
Pension	--	26,244	26,244
<b>Total Deferred Outflows of Resources</b>	<b>35,341</b>	<b>26,244</b>	<b>61,585</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	331,109	62,428	393,537
Accrued Liabilities	2,392	12,839	15,231
Accrued Interest	4,294	15,597	19,891
Current Portion of Long-term Debt	71,706	122,693	194,399
Current Portion of Compensated Absences	--	18,690	18,690
Due to Other Funds	--	93	93
<b>Total Current Liabilities</b>	<b>409,501</b>	<b>232,340</b>	<b>641,841</b>
<i>Noncurrent Liabilities</i>			
Long-term Debt	708,756	1,889,143	2,597,899
Compensated Absences	--	24,957	24,957
Net Pension Liability	--	55,361	55,361
<b>Total Liabilities</b>	<b>1,118,257</b>	<b>2,201,801</b>	<b>3,320,058</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	--	40,235	40,235
<b>Total Deferred Inflows of Resources</b>	<b>--</b>	<b>40,235</b>	<b>40,235</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	645,824	2,779,409	3,425,233
<i>Unrestricted</i>	3,294,965	2,111,472	5,406,437
<b>Total Net Position</b>	<b>\$ 3,940,789</b>	<b>\$ 4,890,881</b>	<b>\$ 8,831,670</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of New Buffalo**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2020**

	<b>Business-type Activities - Enterprise Funds</b>		
	Sewer	Water	Total Enterprise Funds
<b>Operating Revenues</b>			
Charges for Services	\$ 1,030,195	\$ 1,171,496	\$ 2,201,691
<b><i>Total Operating Revenues</i></b>	<b>1,030,195</b>	<b>1,171,496</b>	<b>2,201,691</b>
<b>Operating Expenses</b>			
Personnel Services	52,771	414,439	467,210
Supplies	1,952	85,784	87,736
Contractual Services	39,255	71,401	110,656
Utilities	945,784	60,003	1,005,787
Repairs and Maintenance	43,470	103,388	146,858
Other Services and Charges	3,758	24,561	28,319
Depreciation	47,105	214,890	261,995
<b><i>Total Operating Expenses</i></b>	<b>1,134,095</b>	<b>974,466</b>	<b>2,108,561</b>
<b><i>Operating Income (Loss)</i></b>	<b>(103,900)</b>	<b>197,030</b>	<b>93,130</b>
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	3,882	29,939	33,821
Loss from Joint Venture	(90,607)	--	(90,607)
Gain on Change of Estimated Liability	125,000	--	125,000
Interest Expense	(26,237)	(53,748)	(79,985)
<b><i>Net Non-Operating Revenues (Expenses)</i></b>	<b>12,038</b>	<b>(23,809)</b>	<b>(11,771)</b>
<b><i>Income Before Contributions and Transfers</i></b>	<b>(91,862)</b>	<b>173,221</b>	<b>81,359</b>
Transfers In	--	--	--
Transfers Out	(127,699)	(85,338)	(213,037)
<b><i>Change In Net Position</i></b>	<b>(219,561)</b>	<b>87,883</b>	<b>(131,678)</b>
<i>Net Position at Beginning of Period</i>	4,160,350	4,802,998	8,963,348
<b><i>Net Position at End of Period</i></b>	<b>\$ 3,940,789</b>	<b>\$ 4,890,881</b>	<b>\$ 8,831,670</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of New Buffalo**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2020**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sewer</b>	<b>Water</b>	<b>Total Enterprise Funds</b>
<b>Cash Flows from Operating Activities</b>			
Receipts from Customers	\$ 1,029,012	\$ 1,149,179	\$ 2,178,191
Payments to Suppliers	(1,028,674)	(583,446)	(1,612,120)
Payments to Employees	(52,366)	(442,544)	(494,910)
<b><i>Net Cash Provided (Used) by Operating Activities</i></b>	<b>(52,028)</b>	<b>123,189</b>	<b>71,161</b>
<b>Cash Flows from Non-capital and Related Financing Activities</b>			
Change in Interfund Balances	-	93	93
Gain on Change of Estimated Liability	125,000	-	-
Transfers (Out)	(127,699)	(85,338)	(213,037)
<b><i>Net Cash Used by Non-capital and Related Financing Activities</i></b>	<b>(2,699)</b>	<b>(85,245)</b>	<b>(212,944)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchase of Capital Assets	-	(603,274)	(603,274)
Principal Payments on Long-term Debt	(71,390)	(122,765)	(194,155)
Interest Paid on Long-term Debt	(26,237)	(53,748)	(79,985)
<b><i>Net Cash Used by Capital and Related Financing Activities</i></b>	<b>(97,627)</b>	<b>(779,787)</b>	<b>(877,414)</b>
<b>Cash Flows from Investing Activities</b>			
Receipts of Interest and Dividends	3,882	29,939	33,821
<b><i>Net Cash Provided by Investing Activities</i></b>	<b>3,882</b>	<b>29,939</b>	<b>33,821</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(148,472)</b>	<b>(711,904)</b>	<b>(985,376)</b>
<b>Cash and Investments Beginning of Period</b>	<b>635,453</b>	<b>2,876,771</b>	<b>3,512,224</b>
<b><i>Cash and Investments End of Period</i></b>	<b>\$ 486,981</b>	<b>\$ 2,164,867</b>	<b>\$ 2,526,848</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of New Buffalo**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2020**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sewer</b>	<b>Water</b>	<b>Total Enterprise Funds</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>			
Operating Income (Loss)	\$ (103,900)	\$ 197,030	\$ 93,130
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	47,105	214,890	261,995
Changes in Assets and Liabilities:			
Accounts Receivable	(1,201)	(15,228)	(16,429)
Prepays	18	(7,089)	(7,071)
Accounts Payable	5,545	(238,309)	(232,764)
Accrued Liabilities	405	(144)	261
Compensated Absences	-	(11,685)	(11,685)
Net Pension Liability	-	(16,276)	(16,276)
<b><i>Net Cash Provided (Used) by Operating Activities</i></b>	<b>\$ (52,028)</b>	<b>\$ 123,189</b>	<b>\$ 71,161</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**City of New Buffalo**  
**Statement of Fiduciary Assets and Liabilities**  
**Fiduciary Funds**  
**June 30, 2020**

	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and Investments	\$ 7,725
Taxes Receivable	1,500
<i>Total Assets</i>	9,225
<b>LIABILITIES</b>	
Deposits Payable	9,225
<i>Total Liabilities</i>	\$ 9,225

The Notes to the Financial Statements are an integral part of these Financial Statements

## **Notes to the Financial Statements**

# City of New Buffalo

## Notes to the Financial Statements

---

### **Note 1 - Nature of Business and Significant Accounting Policies**

The accounting policies of the City of New Buffalo, Michigan (the "City" or "government") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City:

#### ***Reporting Entity***

The City is governed by an elected five-member 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 (see discussion below for description).

#### ***Discretely Presented Component Unit***

The *City of New Buffalo Downtown Development Authority* (the "DDA") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The DDA has not reported revenues over multiple years due to negative tax captures within the district. The DDA's governing body, which consists of nine members, is appointed by the City. Separate financial statements have not been issued as management believes that these financial statements, including note disclosures, contain complete information so as to constitute fair presentation.

#### ***City of New Buffalo Building Authority***

The City of New Buffalo Building Authority is governed by a three member board appointed by the City Council. Although it is legally separate from the City, the Building Authority is reported as is if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings. There were no financial activities or balances to report during the year.

#### ***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. For the most part, the effect of inter-fund activity has been removed from these financial statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.



## City of New Buffalo

### Notes to the Financial Statements

---

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds, fiduciary funds, and component unit financial statements. Revenue is 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 revenue 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, and interest associated with the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

The ***general fund*** is the City'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*** is used to account for income received from the MDOT, and expenditures incurred to maintain streets determined to be major.

The ***capital improvement construction fund*** is used for the development of capital projects.

## City of New Buffalo

### Notes to the Financial Statements

---

The City reports the following major proprietary funds:

The *water fund* accounts for the activities of the water treatment and distribution systems.

The *sewer fund* accounts for the activities of the sewage disposal and treatment systems.

Additionally, the City reports the following fund types:

*Special revenue funds* account for the proceeds of specific revenue sources (other than permanent trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

*Debt service funds* account for the servicing of long-term debt not being financed by proprietary or nonexpendable trust funds.

*Capital project funds* account for the development of capital facilities other than those financed by the operations of an enterprise fund.

*Agency funds* account for assets held by the City as an agent for individuals, organizations, other governmental units, or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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 payment-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

#### ***Property Tax Revenue***

Property taxes are levied on each July 1 (summer tax bills) and December 1 (winter tax bills) on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on October 1 (summer tax bills) or February 14 (winter tax bills) of the year levied, at which time penalties and interest are assessed.

## City of New Buffalo

### Notes to the Financial Statements

---

The City's 2019 tax is levied and collectible on December 1, 2018 and is recognized as revenue in the year ended June 30, 2019, when the proceeds of the levy are budgeted and available for the financing of operations. The 2019 taxable valuation of the City totaled \$230.6 million.

### **Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity**

#### *Cash and Cash Equivalents*

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.

State statutes and City policy authorize the City to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

#### *Investments*

Investments are stated at fair market value. Investments are exposed to various risks, such as significant external events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

# City of New Buffalo

## Notes to the Financial Statements

---

### ***Receivables and Payables***

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. The City reported no allowance for doubtful accounts as of year-end as management deems all receivables to be fully collectible.

### ***Prepaid Items***

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

### ***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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are valued at the acquisition cost.

Infrastructure, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Land Improvements	20
Buildings and Improvements	20 - 40
Infrastructure	20 - 40
Machinery and Equipment	5 - 10
Vehicles	5 - 10

### ***Compensated Absences (Vacation and Sick Leave)***

Vacation and sick pay and other employee benefits are recognized in fund statements only when credit is taken by the employee. All accumulated vacation time is paid upon termination. Sick time is only paid upon termination based on the following criteria: 1) an employee with 20 years or more of service shall have 50% of the value of their unused sick time hours credited towards medical insurance coverage or 25% of the value can be cashed out or 2) an employee with 10 years

## City of New Buffalo

### Notes to the Financial Statements

---

or more of service shall have 25% of the value of their unused sick time hours credited towards medical insurance coverage or 12.5% of the value can be cashed out.

#### ***Long-term Obligations***

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. The general fund and debt service funds are generally used to liquidate governmental long-term debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

#### ***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### ***Deferred Outflows / Inflows of Resources***

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The deferred charge on refunded debt resulted from the difference in carrying value of the refunded debt and its reacquisition price. This amount is deferred over the shorter of the life of the refunded or refunding debt.

The City has several other items that qualify for reporting as deferred outflows and inflows and are reported in the government-wide financial statement of net position. These items relate to the

## City of New Buffalo

### Notes to the Financial Statements

---

City's net pension liability. The net pension liability amounts are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

#### ***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 to calculate the amounts to report as restricted – net position and unrestricted – net position 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 government's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

#### ***Fund Balance Flow Assumption***

Sometimes the government 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 government'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. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, and the nonspendable portion of endowments. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations 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 government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government

## City of New Buffalo

### Notes to the Financial Statements

---

that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The City Council, or its designee, 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.

*Unassigned fund balance* is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the City Council.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### ***Budgetary Information***

Under the City Charter, the following budget procedures must be followed:

1. The fiscal year shall begin on July 1 and end on June 30 of each year.
2. Prior to May 1, the City Manager shall submit to the City Council a proposed operating budget.
3. A public hearing must be held before the budget is adopted.
4. The City Council must adopt the budget by resolution prior to July 1.

Formal budgetary integration is employed as a management control device for all funds except the agency funds. The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriation budgets are adopted for the general and all special revenue funds. All annual appropriations lapse at fiscal year-end.

## City of New Buffalo

### Notes to the Financial Statements

#### Note 2 - Statutory Compliance

##### *Excess of Expenditures Over Appropriations in Budgetary Funds*

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated.

The City's actual expenditures and budgeted expenditures for the budgeted funds have been shown at the department level. The approved budgets of the City for these budgeted funds were also adopted at the department level.

The City had the following expenditures in excess of the amount appropriated during the year ended June 30, 2020:

	Final	Actual	Variance
<b>General Fund</b>			
Executive	\$ 69,974	\$ 71,407	\$ (1,433)
Assessor	29,360	31,725	(2,365)
Zoning Board of Appeals	1,300	1,318	(18)
Transfers Out	187,313	267,313	(80,000)

#### Note 3 - Deposits and Investments

The City maintains pooled and individual fund demand deposits, certificates of deposit, and short-term investment accounts. All of the City's certificates of deposits will mature within one year. Following is a reconciliation of deposit and investment balances as of June 30, 2020:

	Primary Government	Component Units	Totals
Statement of Net Position			
Cash and Investments	\$ 6,897,710	\$ 273	\$ 6,897,983
Statement of Fiduciary Assets and Liabilities			
Cash and Investments	7,725	-	7,725
<i>Total</i>	\$ 6,905,435	\$ 273	\$ 6,905,708
Deposits and Investments			
Checking and Savings Accounts			\$ 4,082,585
Certificates of Deposits			2,822,223
Cash on hand			900
<i>Total</i>			\$ 6,905,708



# City of New Buffalo

## Notes to the Financial Statements

***Custodial Credit Risk - Deposits.*** Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits might not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year-end, \$6,282,863 of the City's bank balance of \$6,783,019 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC and NCUA insurance, the City believes it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

### Note 4 - Interfund Transactions

Interfund transfers in and out for the year ended June 30, 2020 are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Park	General	\$ 110,000
Debt Service	General	128,313
Equipment Purchase	General	69,000
Debt Service	Casino	51,063
Major Streets	Casino	300,000
Dredge	Park Improvement	35,800
Park Improvement	Park	66,727
Debt Service	Water	85,338
Debt Service	Sewer	127,699

Interfund transfers are used to: 1) move unrestricted revenues collected in the general fund to finance capital and other various programs accounted for in other funds in accordance with budgetary authorizations, 2) move allocated cost of general operations to applicable funds and 3) move principal and interest amounts from the funds benefiting from the debt to the underlying debt service fund.

The City had the following interfund balances as of June 30, 2020:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Local Streets	General	\$ 21,152
General	Water	93

# City of New Buffalo

## Notes to the Financial Statements

### Note 5 - Capital Assets

Capital asset activity within governmental activities for the year was as follows:

<b>Governmental Activities</b>	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital Assets not being Depreciated					
Land	\$ 320,616	\$ -	\$ -	\$ -	\$ 320,616
Construction in Process	74,372		-	(74,372)	-
<i>Subtotal</i>	<u>394,988</u>	<u>-</u>	<u>-</u>	<u>(74,372)</u>	<u>320,616</u>
Capital Assets being Depreciated					
Land Improvements	3,919,525	-	-	22,672	3,942,197
Buildings and Improvements	2,876,271	-	(12,425)	-	2,863,846
Machinery and Equipment	4,281,685	62,380	(109,891)	-	4,234,174
Infrastructure	6,705,193	1,120,772	-	51,700	7,877,665
<i>Subtotal</i>	<u>17,782,674</u>	<u>1,183,152</u>	<u>(122,316)</u>	<u>74,372</u>	<u>18,917,882</u>
Less Accumulated Depreciation					
Land Improvements	1,576,465	181,076	-	-	1,757,541
Buildings and Improvements	1,639,417	78,725	(3,624)	-	1,714,518
Machinery and Equipment	3,724,092	133,985	(108,980)	-	3,749,097
Infrastructure	546,748	318,345	-	-	865,093
<i>Subtotal</i>	<u>7,486,722</u>	<u>712,131</u>	<u>(112,604)</u>	<u>-</u>	<u>8,086,249</u>
Capital Assets being Depreciated, Net	10,295,952	471,021	(9,712)	74,372	10,831,633
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 10,690,940</u>	<u>\$ 471,021</u>	<u>\$ (9,712)</u>	<u>\$ -</u>	<u>\$ 11,152,249</u>

Capital asset activity within business-type activities for the year was as follows:

<b>Business-type Activities</b>	Beginning Balance	Additions	Reductions	Transfers	Ending Balance
Capital Assets not being Depreciated					
Land	\$ 20,500	\$ -	\$ -	\$ -	\$ 20,500
Construction in Progress	86,307		-	(86,307)	-
<i>Subtotal</i>	<u>106,807</u>	<u>-</u>	<u>-</u>	<u>(86,307)</u>	<u>20,500</u>
Capital Assets being Depreciated					
Buildings, Infrastructure, and Improvements	10,209,534	603,276	(406,568)	86,307	10,492,549
Machinery and Equipment	697,165		(321,159)	-	376,006
<i>Subtotal</i>	<u>10,906,699</u>	<u>603,276</u>	<u>(727,727)</u>	<u>86,307</u>	<u>10,868,555</u>
Less Accumulated Depreciation					
Buildings, Infrastructure, and Improvements	5,390,879	227,210	(397,696)	-	5,220,393
Machinery and Equipment	526,837	22,500	(317,744)	-	231,593
<i>Subtotal</i>	<u>5,917,716</u>	<u>249,710</u>	<u>(715,440)</u>	<u>-</u>	<u>5,451,986</u>
Capital Assets being Depreciated, Net	4,988,983	353,566	(12,287)	86,307	5,416,569
<b>Business-type Activities Capital Assets, Net</b>	<u>\$ 5,095,790</u>	<u>\$ 353,566</u>	<u>\$ (12,287)</u>	<u>\$ -</u>	<u>\$ 5,437,069</u>

## City of New Buffalo

### Notes to the Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

#### Governmental Activities

General Government	\$	70,414
Public Safety		53,182
Public Works		421,222
Recreation and Culture		167,313
<i>Total</i>	<u>\$</u>	<u>712,131</u>

#### Business-type Activities

Sewer	\$	47,105
Water		214,890
<i>Total</i>	<u>\$</u>	<u>261,995</u>

### Note 6 - Long-term Debt

The following is a summary of the debt transactions of the City for the year ended June 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
2010 Capital Improvement Bonds	\$ 50,000	\$ -	\$ (50,000)	\$ -	\$ -
2017 Capital Improvement Bonds	3,545,000	-	(235,000)	3,310,000	240,000
2020 Capital Lease Agreement - Police	-	34,396	(11,972)	22,424	10,966
2017 Capital Lease Agreement - Police	19,538	-	(19,538)	-	-
2017 Capital Lease Agreement - Leaf Vac	146,296	-	(21,633)	124,663	22,665
2016 Capital Lease Agreement - Bobcat	30,400	-	(13,098)	17,302	13,756
Net Bond Premiums	136,200	-	(10,476)	125,724	-
<b>Total Long-term Debt</b>	<u>\$ 3,927,434</u>	<u>\$ 34,396</u>	<u>\$ (361,717)</u>	<u>\$ 3,600,113</u>	<u>\$ 287,387</u>
Compensated Absences	<u>\$ 61,042</u>	<u>\$ -</u>	<u>\$ 9,025</u>	<u>\$ 70,067</u>	<u>\$ 60,049</u>
<b>Business-type Activities</b>					
2012 Capital Lease Agreement	\$ 1,024,924	\$ -	\$ (75,000)	\$ 949,924	\$ 75,000
General Obligation Limited Tax Bond - GRSD	810,084	-	(70,737)	739,347	71,706
2017 Lighthouse Creek Drain Bond	1,109,605	-	(47,693)	1,061,912	47,693
Net Bond Premiums	45,769	-	(4,654)	41,115	-
<b>Total Long-term Debt</b>	<u>\$ 2,990,382</u>	<u>\$ -</u>	<u>\$ (198,084)</u>	<u>\$ 2,792,298</u>	<u>\$ 194,399</u>
Compensated Absences	<u>\$ 55,332</u>	<u>\$ -</u>	<u>\$ (11,685)</u>	<u>\$ 43,647</u>	<u>\$ 18,690</u>

## City of New Buffalo

### Notes to the Financial Statements

The annual requirements to amortize all debt outstanding (excluding compensated absences) as of June 30, 2020 are as follows:

Year Ended June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 287,387	\$ 107,119	\$ 394,506	\$ 194,399	\$ 76,482	\$ 270,881
2022	283,750	97,689	381,439	201,337	71,779	273,116
2023	274,879	88,149	363,028	207,050	66,913	273,962
2024	281,065	79,463	360,528	211,793	61,156	272,949
2025	287,309	70,569	357,878	219,700	54,830	274,530
2026 - 2030	1,425,000	225,900	1,650,900	1,104,942	169,855	1,274,797
2031 - 2035	635,000	28,800	663,800	453,414	52,842	506,256
2036 - 2037	-	-	-	158,548	4,966	163,513
<b>Total</b>	<b>\$ 3,474,389</b>	<b>\$ 697,689</b>	<b>\$ 4,172,079</b>	<b>\$ 2,751,183</b>	<b>\$ 558,821</b>	<b>\$ 3,310,004</b>

Compensated absences in governmental activities are generally liquidated by the general fund.

### Note 8 - Defined Benefit Pension Plan

#### *Plan Description*

The City participates in the Michigan Municipal Employees' Retirement System (MERS or the "System"), an agent multiple-employer defined benefit pension plan that covers all employees of the City. The new system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

#### *Benefits Provided*

Retirement benefits provided are as follows:

Division	Benefit Multiplier	Benefit Maximum	Final Average Compensation (Years)	Normal Retirement Age	Unreduced Benefit (Age/Years of Service)	Reduced Benefit (Age/Years of Service)	Vesting (Years)
General - Open	1.50%	N/A	5	60	N/A	50/25 or 55/15	10

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions.

## City of New Buffalo

### Notes to the Financial Statements

---

#### ***Employees Covered by Benefit Terms***

At the December 31, 2019 valuation date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	7
Inactive plan members entitled to but not yet receiving benefits	19
Active plan members	<u>22</u>
Total employees covered by MERS	<u>48</u>

#### ***Contributions***

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions were 5.25% of covered payroll based on annual payroll for the open division with the employees contributing an additional 3.60%.

#### ***Net Pension Liability***

The net pension liability reported at June 30, 2020 was determined using a measure of the total pension liability and the pension net position as of December 31, 2019. The December 31, 2019 total pension liability was determined by an actuarial valuation performed as of that date.

#### ***Actuarial Assumptions***

The total pension liability in the December 31, 2019 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increases: 3.75%

Investment rate of return: 7.75%, net of investment and administrative expense including inflation

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend. The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

## City of New Buffalo

### Notes to the Financial Statements

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Target Allocation Gross Rate of Return</u>	<u>Long-term Expected Gross Rate of Return</u>	<u>Inflation Assumption</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	60.00%	8.65%	5.19%	2.50%	3.70%
Global fixed income	20.00%	3.76%	0.75%	2.50%	0.30%
Private Investments	20.00%	9.06%	1.81%	2.50%	1.25%
	<u>100.00%</u>		<u>7.75%</u>		<u>5.25%</u>

#### ***Discount Rate***

The discount rate used to measure the total pension liability is 7.60% for 2019. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## City of New Buffalo

### Notes to the Financial Statements

#### *Changes in Net Pension Liability*

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2018</b>	\$ 2,493,149	\$ 2,141,987	\$ 351,162
Service Cost	76,571	-	76,571
Interest on Total Pension Liability	197,919	-	197,919
Difference between Expected and Actual Experience	(15,708)	-	(15,708)
Change in Assumptions	79,003	-	79,003
Contributions - Employer	-	91,208	(91,208)
Contributions - Employee	-	41,044	(41,044)
Net Investment Loss	-	294,324	(294,324)
Benefit Payments, including Refunds	(111,167)	(111,167)	-
Administrative Expenses	-	(5,074)	5,074
Other Changes	(3,725)	(3,725)	-
<i>Net Changes</i>	222,893	306,610	(83,717)
<b>Balance at December 31, 2019</b>	\$ 2,716,042	\$ 2,448,597	\$ 267,445

#### *Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the City, calculated using the discount rate of 7.60 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60 percent) or one percentage point higher (8.60 percent) than the current rate:

	1% Decrease	Current	1% Increase
	(6.60%)	Discount Rate (7.60%)	(8.60%)
Net pension liability of the City	\$ 579,201	\$ 267,445	\$ 7,642

## City of New Buffalo

### Notes to the Financial Statements

#### ***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2020, the City recognized pension expense of \$9,849. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Excess (deficit) investment returns	\$ 3,475	\$ -
Changes in assumptions	72,051	-
Difference between expected and actual experience	2,551	194,372
* Employer contributions to the plan subsequent to the measurement date	48,705	-
Total	\$ 126,782	\$ 194,372

\* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2021.

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	Amount
2021	\$ (72,247)
2022	(60,942)
2023	43,108
2024	(26,214)

#### **Note 9 - Joint Ventures**

##### *New Buffalo Library Joint Building Authority*

The City is a member of the New Buffalo Library Joint Building Authority, which provides for the operating and maintaining of a library building to the residents of the City of New Buffalo and New Buffalo Township. The City is allowing the Library to use the City's full faith and credit for the bond issue and the approved millage will be used to repay the obligation. The City will not have a financial obligation to the Authority.

##### *Pine Grove Cemetery*

The City is a member of the Pine Grove Cemetery, which provides services to residents of the City of New Buffalo and New Buffalo Township. The participating communities provide annual



## City of New Buffalo

### Notes to the Financial Statements

---

funding for the operations of the cemetery. The City contributed \$24,500 for its portion. Completed financial statements for the Pine Grove Cemetery can be obtained from the City clerk's office.

#### *Galien River Sanitary District*

The City is a participant with Chikaming Township, Lake Township, New Buffalo Township, and the City of Bridgman, in a joint venture to provide sanitary treatment and collection facilities for the residents of those communications. The Galien River Sanitary District (GRSD) pro-rata percentages of ownership are as follows:

City of New Buffalo	21.6%
Chikaming Township	28.6%
New Buffalo Township	16.6%
Lake Charter Township	16.6%
City of Bridgman	16.6%

The GRSD is governed by a six-member Board of Trustees, one member selected by the governing body of each constituent municipality (for a total of five members), and one member is selected by the other five members. The term of office is six years. The at-large member serves as Chairperson of the Board. The contracting parties provide annual funding to meet debt service requirements on bonds issued to pay for plant construction.

On September 23, 2003, the GRSD issued an \$8.1 million General Obligation Limited Tax Bond for the design, acquisition, construction, and equipping improvements for expansion of the plant. As the bonds were issued by the GRSD, the City has recorded a bond payable in the amount of \$1,567,639 for their pro-rata portion of these bonds. The GRSD bills the City for their portion of principal and interest on the bonds as those payments become due. On May 22, 2013, the GRSD refinanced the General Obligation Limited Tax Bond in the amount of \$5,900,000. The City has recorded a new bond payable in the amount of \$1,143,420 for their pro-rata portion of the refinanced bonds. The bond payable balance as of June 30, 2020 is \$739,347.

On February 1, 2007, the GRSD issued a \$1.8 million General Obligation Limited Tax Bond for plant improvements. The GRSD will pay the principal of and interest on such bonds from revenue of the GRSD. If these revenues are insufficient or unavailable for such payment, then each local unit shall pay 20% of each payment. On December 6, 2016, the GRSD refinanced the General Obligation Limited Tax Bond in the amount of \$1,185,000

The City's share of the operating results of the District are reported in the City's Sewer fund (an enterprise fund). The City's investment share in the District was \$3,746,642 at December 31, 2019 (the District's year end). Completed financial statements for the GRSD can be obtained from the City clerk's office.

# City of New Buffalo

## Notes to the Financial Statements

---

### **Note 11 - Subsequent Events**

Subsequent events have been evaluated through October 30, 2020. The city will be affected by the recent and ongoing outbreak of the Coronavirus (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. COVID-19 has caused significant government and business disruptions through mandated and voluntary closings and stay at home orders. City Council and Management is in the process of determining the significance that the outbreak will have on the City's upcoming budget.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of New Buffalo**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
<b>Revenues</b>				
Taxes	\$ 2,447,000	\$ 2,540,129	\$ 2,547,775	\$ 7,646
Licenses and Permits	72,000	72,000	53,902	(18,098)
State Revenues	175,095	175,095	165,146	(9,949)
Charges for Services	340,784	386,914	374,306	(12,608)
Fines, Fees, and Forfeits	900	900	224	(676)
Interest and Rents	3,200	10,666	12,523	1,857
Other Revenue	35,500	103,500	100,221	(3,279)
<b>Total Revenues</b>	<b>3,074,479</b>	<b>3,289,204</b>	<b>3,254,097</b>	<b>(35,107)</b>
<b>Expenditures</b>				
<b>General Government</b>				
Legislative	14,641	14,641	13,076	1,565
Executive	69,679	69,974	71,407	(1,433)
Clerk	173,370	128,502	118,972	9,530
Board of Review	2,000	2,000	360	1,640
Treasurer	133,474	126,696	123,874	2,822
Assessor	27,360	29,360	31,725	(2,365)
Elections	11,740	11,740	8,695	3,045
Attorney	65,000	65,000	54,309	10,691
Cemetery	24,000	29,500	29,500	--
General Government	214,684	307,895	260,392	47,503
<b>Total General Government</b>	<b>735,948</b>	<b>785,308</b>	<b>712,310</b>	<b>72,998</b>
<b>Public Safety</b>				
Police	935,517	1,017,791	935,909	81,882
Fire	137,926	137,926	77,679	60,247
Inspection Services	107,725	147,725	108,400	39,325
<b>Total Public Safety</b>	<b>1,181,168</b>	<b>1,303,442</b>	<b>1,121,988</b>	<b>181,454</b>
<b>Public Works</b>				
Street Operating	388,100	380,385	304,070	76,315
Street Lighting	36,000	36,000	33,403	2,597
Solid Waste Collection	272,256	272,256	229,869	42,387
<b>Total Public Works</b>	<b>696,356</b>	<b>688,641</b>	<b>567,342</b>	<b>121,299</b>
<b>Health and Welfare - Ambulance Service</b>				
	110,817	110,817	106,056	4,761
<b>Community and Economic Development</b>				
Planning Commission	4,400	4,400	1,254	3,146
Zoning Board of Appeals	800	1,300	1,318	(18)
<b>Total Community and Economic Development</b>	<b>5,200</b>	<b>5,700</b>	<b>2,572</b>	<b>3,128</b>
<b>Other Functions</b>				
	58,200	63,200	48,403	14,797
<b>Total Expenditures</b>	<b>2,787,689</b>	<b>2,957,108</b>	<b>2,558,671</b>	<b>398,437</b>
<b>Other Financing Uses</b>				
Transfers Out	178,313	187,313	267,313	(80,000)
<b>Total Expenditures and Other Financing Uses</b>	<b>2,966,002</b>	<b>3,144,421</b>	<b>2,825,984</b>	<b>318,437</b>
<b>Excess (Deficiency) of Revenues Over Expenditures and Other Uses</b>				
	108,477	144,783	428,113	283,330
<b>Net Change in Fund Balance</b>	<b>108,477</b>	<b>144,783</b>	<b>428,113</b>	<b>283,330</b>
<i>Fund Balance at Beginning of Period</i>	1,558,250	1,558,250	1,558,250	--
<b>Fund Balance at End of Period</b>	<b>\$ 1,666,727</b>	<b>\$ 1,703,033</b>	<b>\$ 1,986,363</b>	<b>\$ 283,330</b>

**City of New Buffalo**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Major Streets**  
**For the Year Ended June 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Positive (Negative) Final to Actual</b>
<b>Revenues</b>				
State Revenues	\$ 140,000	\$ 140,000	\$ 208,677	\$ 68,677
Interest and Rents	600	600	3,027	2,427
<b>Total Revenues</b>	<u>140,600</u>	<u>140,600</u>	<u>211,704</u>	<u>71,104</u>
<b>Other Financing Sources</b>				
Transfers In	--	300,000	300,000	--
<b>Total Revenues and Other Financing Sources</b>	<u>140,600</u>	<u>440,600</u>	<u>511,704</u>	<u>71,104</u>
<b>Expenditures</b>				
Routine Maintenance	92,425	692,425	558,364	134,061
Traffic Services	39,425	39,425	39,234	191
Administrative	5,060	5,060	6,349	(1,289)
Winter Maintenance	15,000	15,000	19,301	(4,301)
<b>Total Expenditures</b>	<u>151,910</u>	<u>751,910</u>	<u>623,248</u>	<u>128,662</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures</b>	<u>(11,310)</u>	<u>(311,310)</u>	<u>(111,544)</u>	<u>199,766</u>
<b>Net Change in Fund Balance</b>	<b>(11,310)</b>	<b>(311,310)</b>	<b>(111,544)</b>	<b>199,766</b>
<i>Fund Balance at Beginning of Period</i>	430,721	430,721	430,721	--
<b>Fund Balance at End of Period</b>	<u>\$ 419,411</u>	<u>\$ 119,411</u>	<u>\$ 319,177</u>	<u>\$ 199,766</u>

**City of New Buffalo**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Last Six Plan Years**

	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>						
Service Cost	\$ 76,571	\$ 73,622	\$ 78,293	\$ 74,071	\$ 69,133	\$ 64,147
Interest	197,919	202,553	202,993	200,816	182,416	169,562
Other Changes		(2,770)	-	-	-	-
Differences Between Expected and Actual Experience	(15,708)	(209,895)	(151,970)	(131,420)	22,734	-
Changes in Assumptions	79,003	-	-	-	114,029	-
Benefit Payments, Including Refunds	(114,892)	(130,936)	(134,024)	(102,691)	(80,683)	(80,111)
<b>Net Change in Pension Liability</b>	222,893	(67,426)	(4,708)	40,776	307,629	153,598
<i>Total Pension Liability - Beginning</i>	2,493,149	2,560,575	2,565,283	2,524,507	2,216,878	2,063,280
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 2,716,042</u>	<u>\$ 2,493,149</u>	<u>\$ 2,560,575</u>	<u>\$ 2,565,283</u>	<u>\$ 2,524,507</u>	<u>\$ 2,216,878</u>
<b>Plan Fiduciary Net Position</b>						
Contributions - Employer	\$ 91,208	\$ 97,724	\$ 93,598	\$ 84,229	\$ 78,194	\$ 74,510
Contributions - Employee	41,044	43,979	42,123	40,781	40,484	38,669
Net Investment Income (Loss)	294,324	(89,258)	262,995	201,374	(26,973)	102,489
Benefit Payments, Including Refunds	(114,892)	(130,936)	(134,024)	(102,691)	(80,683)	(80,111)
Administrative Expenses	(5,074)	(4,366)	(4,159)	(3,973)	(3,876)	(3,787)
<b>Net Change in Plan Fiduciary Net Position</b>	306,610	(82,857)	260,533	219,720	7,146	131,770
<i>Plan Fiduciary Net Position - Beginning</i>	2,141,987	2,224,844	1,964,311	1,744,591	1,737,445	1,605,675
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 2,448,597</u>	<u>\$ 2,141,987</u>	<u>\$ 2,224,844</u>	<u>\$ 1,964,311</u>	<u>\$ 1,744,591</u>	<u>\$ 1,737,445</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	\$ 267,445	\$ 351,162	\$ 335,731	\$ 600,972	\$ 779,916	\$ 479,433
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.2%	85.9%	86.9%	76.6%	69.1%	78.4%
Covered Payroll	\$ 1,108,120	\$ 1,068,529	\$ 1,144,636	\$ 1,081,327	\$ 1,075,161	\$ 997,614
Net Pension Liability as a Percentage of Covered Payroll	24.1%	32.9%	29.3%	55.6%	72.5%	48.1%

\* Built prospectively upon implementation on GASB 68

**City of New Buffalo**  
**Required Supplementary Information**  
**Schedule of Contributions**  
**Last Six Fiscal Years**

	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 94,909	\$ 97,724	\$ 93,598	\$ 84,229	\$ 78,195	\$ 74,510
Contributions in Relation to the Actuarially Determined Contribution	94,909	97,724	93,598	84,229	78,195	74,510
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered Payroll	 \$ 1,186,357	 \$ 1,068,529	 \$ 1,144,636	 1,081,327	 1,075,161	 997,614
Contributions as a Percentage of Covered Payroll	8.0%	9.1%	8.2%	7.8%	7.3%	7.5%

*Notes*

**Valuation Date**

Actuarially determined contribution amounts are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

**Methods and assumptions used to determine contribution rates**

Actuarial cost method	Entry-age Normal
Amortization method	Level percentage of pay, open
Remaining amortization period	19 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.35%
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	50% Male - 50% Female blend of the 2014 Group Annuity Mortality

## **Combining and Individual Fund Statements and Schedules**



City of New Buffalo  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2020

	Special Revenue						Debt Service	Capital Projects	Total Nonmajor Governmental Funds	
	Casino	Local Streets	Park	Park Improvement	Dredge	Drug Law Enforcement	Criminal Justice Training	Debt Service		Equipment Purchase
<b>ASSETS</b>										
Cash and Investments	\$ 508,803	\$ 280,997	\$ 249,786	\$ 163,186	\$ 403,536	\$ 121	\$ 1,257	\$ 3,040	\$ 167,017	\$ 1,777,743
Accounts Receivable	--	--	35,295	--	--	--	--	--	--	35,295
Due from Other Governmental Units	--	14,746	592	--	--	--	--	--	--	15,338
Prepays	--	--	8,261	--	--	--	--	--	--	8,261
Due from Other Funds	--	21,152	--	--	--	--	--	--	--	21,152
<b>Total Assets</b>	<b>\$ 508,803</b>	<b>\$ 316,895</b>	<b>\$ 293,934</b>	<b>\$ 163,186</b>	<b>\$ 403,536</b>	<b>\$ 121</b>	<b>\$ 1,257</b>	<b>\$ 3,040</b>	<b>\$ 167,017</b>	<b>\$ 1,857,789</b>
<b>LIABILITIES</b>										
Accounts Payable	\$ 17,555	\$ 4,652	\$ 15,983	\$ --	\$ 1,336	\$ --	\$ --	\$ --	\$ --	\$ 39,526
Accrued Liabilities	--	1,312	22,433	--	--	--	--	--	--	23,745
<b>Total Liabilities</b>	<b>17,555</b>	<b>5,964</b>	<b>38,416</b>	<b>--</b>	<b>1,336</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>63,271</b>
<b>FUND BALANCE</b>										
Nonspendable	--	--	8,261	--	--	--	--	--	--	8,261
Restricted	491,248	310,931	--	163,186	--	121	1,257	3,040	--	969,783
Assigned	--	--	247,257	--	402,200	--	--	--	167,017	816,474
Unassigned	--	--	--	--	--	--	--	--	--	--
<b>Total Fund Balance</b>	<b>491,248</b>	<b>310,931</b>	<b>255,518</b>	<b>163,186</b>	<b>402,200</b>	<b>121</b>	<b>1,257</b>	<b>3,040</b>	<b>167,017</b>	<b>1,794,518</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 508,803</b>	<b>\$ 316,895</b>	<b>\$ 293,934</b>	<b>\$ 163,186</b>	<b>\$ 403,536</b>	<b>\$ 121</b>	<b>\$ 1,257</b>	<b>\$ 3,040</b>	<b>\$ 167,017</b>	<b>\$ 1,857,789</b>

**City of New Buffalo**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2020**

	Special Revenue						Debt Service	Capital Projects	Total Nonmajor Governmental Funds	
	Casino	Local Streets	Park	Park Improvement	Dredge	Drug Law Enforcement	Criminal Justice Training	Debt Service		Equipment Purchase
<b>Revenues</b>										
Taxes	\$ --	\$ --	\$ --	\$ 109,341	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 109,341
State Revenues	--	116,767	--	--	--	--	1,290	--	--	118,057
Contributions from Local Units	290,674	--	--	--	--	--	--	--	--	290,674
Charges for Services	--	--	419,247	--	--	--	--	--	--	419,247
Interest and Rents	851	1,889	1,168	184	1,211	--	2	746	267	6,318
Other Revenue	104,300	--	275	--	9,182	--	--	--	41,268	155,025
<b>Total Revenues</b>	<u>395,825</u>	<u>118,656</u>	<u>420,690</u>	<u>109,525</u>	<u>10,393</u>	<u>--</u>	<u>1,292</u>	<u>746</u>	<u>41,535</u>	<u>1,098,662</u>
<b>Expenditures</b>										
General Government	3,920	--	--	--	--	--	--	--	1,035	4,955
Public Safety	--	--	--	--	--	--	452	--	--	452
Public Works	--	107,290	--	--	--	--	--	--	--	107,290
Recreation and Culture	162,523	--	485,503	15,350	3,410	--	--	--	--	666,786
Capital Outlay	--	--	--	--	--	--	--	--	34,396	34,396
Debt Service - Principal	--	--	--	--	--	--	--	285,000	66,241	351,241
Debt Service - Interest	--	--	--	--	--	--	--	107,438	6,389	113,827
<b>Total Expenditures</b>	<u>166,443</u>	<u>107,290</u>	<u>485,503</u>	<u>15,350</u>	<u>3,410</u>	<u>--</u>	<u>452</u>	<u>392,438</u>	<u>108,061</u>	<u>1,278,947</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>229,382</u>	<u>11,366</u>	<u>(64,813)</u>	<u>94,175</u>	<u>6,983</u>	<u>--</u>	<u>840</u>	<u>(391,692)</u>	<u>(66,526)</u>	<u>(180,285)</u>
<b>Other Financing Sources (Uses)</b>										
Issuance of Capital Lease	--	--	--	--	--	--	--	--	34,396	34,396
Transfers In	--	--	110,000	66,727	35,800	--	--	392,413	69,000	673,940
Transfers Out	(391,063)	--	(66,727)	(35,800)	--	--	--	--	--	(493,590)
<b>Net Other Financing Sources (Uses)</b>	<u>(391,063)</u>	<u>--</u>	<u>43,273</u>	<u>30,927</u>	<u>35,800</u>	<u>--</u>	<u>--</u>	<u>392,413</u>	<u>103,396</u>	<u>214,746</u>
<b>Net Change in Fund Balance</b>	<u>(161,681)</u>	<u>11,366</u>	<u>(21,540)</u>	<u>125,102</u>	<u>42,783</u>	<u>--</u>	<u>840</u>	<u>721</u>	<u>36,870</u>	<u>34,461</u>
<b>Fund Balance at Beginning of Period</b>	652,929	299,565	277,058	38,084	359,417	121	417	2,319	130,147	1,760,057
<b>Fund Balance at End of Period</b>	<u>\$ 491,248</u>	<u>\$ 310,931</u>	<u>\$ 255,518</u>	<u>\$ 163,186</u>	<u>\$ 402,200</u>	<u>\$ 121</u>	<u>\$ 1,257</u>	<u>\$ 3,040</u>	<u>\$ 167,017</u>	<u>\$ 1,794,518</u>

October 30, 2020

Honorable Mayor and Members of the City Council  
City of New Buffalo, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of New Buffalo, Michigan (the “City”) for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 1, 2020. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City’s financial statements were:

- Management’s estimate of the current year capital asset depreciation expense is based on the estimated useful lives of the City’s capital assets. We evaluated the key factors and assumptions used to develop the current year capital asset depreciation expense in determining that the depreciation expense, and ending net book value of the underlying assets, are reasonable in relation to the financial statements taken as a whole.
- Management’s estimate of the accrued compensated absences and the related pay rates as of year-end.
- Management’s assumptions used to calculate the actuarial report and the net pension liability for its defined benefit pension plan.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 30, 2020.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

*Other Matters*

We applied certain limited procedures to management's discussion and analysis, pension schedules, and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual nonmajor fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

*Restriction on Use*

This information is intended solely for the use of the City Council and management of the City of New Buffalo and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

Gabridge & Company, PLC  
Grand Rapids, MI