



**CITY OF NEW BUFFALO  
BERRIEN COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2021**

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## 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, 2021, 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 30.7% and 75.5% of the total assets and deferred outflows 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, 2021, 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.

## **Change in Accounting Principle**

As stated in Note 11 to the basic financial statements, the City adopted **GASB Statement No. 84 *Fiduciary Activities*** in the fiscal year June 30, 2021, which represents a change in its policy for reporting fiduciary activities. Beginning net position of the fiduciary fund was not restated. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules, 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 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 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 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". The signature is written in dark ink and is positioned above the typed name of the firm.

Gabridge & Company, PLC  
Grand Rapids, Michigan  
November 29, 2021

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

**City of New Buffalo**  
**Management's Discussion and Analysis**  
**June 30, 2021**

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, 2021. 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 June 30, 2021 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 \$20,956,398 (shown as *net position*), representing an increase of \$736,822 over the previous fiscal year.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$5,063,315, an increase of \$856,961 in comparison with the prior year. Approximately 44.8% of this amount, or \$2,270,800, is available for spending at the City's discretion (*unassigned fund balance*). However, that amount is across various funds and subject to individual fund requirements.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,270,800, or 72.8% 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. The City's fund balance policy maintains that minimum unrestricted fund balance be the sum of the top two taxpayer's total annual city tax or 25% of general fund revenue, whichever is higher. The sum of the top two taxpayer's total annual tax for 2021 is \$175,094, while 25% of General Fund revenue is \$907,993. Therefore, the minimum fund balance is \$907,993.
- Total fund balance of the general fund increased by \$513,976 during the year for an ending total balance of \$2,500,339. This balance is expected to decrease significantly during the next fiscal year as the City moves forward with large capital projects that were delayed due to COVID-19 in calendar year 2020.

## **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, water, and harbor 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 and park 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 park fund (as required supplemental information).

### ***Proprietary Funds***

The City maintains three 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. The City uses a nonmajor enterprise fund for its harbor operations.

### ***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, \$11,478,555, or 54.8%, 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, \$1,689,931, or 8.1%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$7,787,912, or 37.2%, may be used to meet the City's ongoing obligations to citizens and creditors.

Cash and investments within governmental activities increased by \$784,339, being similar to the increase in governmental fund balance of \$856,961. Accounts payable for the City decreased as a result of the timing of year-end invoices. Net capital assets for the City decreased because of depreciation expense being greater than additions. Net pension liability decreased significantly as the City's pension plan's investment income was \$325,585, or approximately 13.59% of plan assets, during the year.

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 \$20,956,398 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	
	2021	2020	2021	2020	2021	2020
<b>ASSETS</b>						
<i>Current Assets</i>						
Cash and Investments	\$ 5,030,201	\$ 4,245,862	\$ 2,642,217	\$ 2,651,848	\$ 7,672,418	\$ 6,897,710
Accounts Receivable	115,834	74,478	295,725	278,160	411,559	352,638
Due from Other Governmental Units	122,507	70,090	-	-	122,507	70,090
Prepays	108,417	89,858	17,263	16,659	125,680	106,517
<b>Total Current Assets</b>	<b>5,376,959</b>	<b>4,480,288</b>	<b>2,955,205</b>	<b>2,946,667</b>	<b>8,332,164</b>	<b>7,426,955</b>
<i>Noncurrent Assets</i>						
Capital Assets not being Depreciated	320,616	320,616	20,500	20,500	341,116	341,116
Capital Assets being Depreciated, net	10,170,867	10,831,633	5,161,109	5,416,569	15,331,976	16,248,202
Investment in Joint Venture	-	-	3,636,219	3,746,642	3,636,219	3,746,642
<b>Total Assets</b>	<b>15,868,442</b>	<b>15,632,537</b>	<b>11,773,033</b>	<b>12,130,378</b>	<b>27,641,475</b>	<b>27,762,915</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Charge on Refunding	-	-	31,340	35,341	31,340	35,341
Pension Related	78,522	100,538	19,021	26,244	97,543	126,782
<b>Total Deferred Outflows of Resources</b>	<b>78,522</b>	<b>100,538</b>	<b>50,361</b>	<b>61,585</b>	<b>128,883</b>	<b>162,123</b>
<b>LIABILITIES</b>						
<i>Current Liabilities</i>						
Accounts Payable	176,873	204,884	117,598	393,537	294,471	598,421
Accrued and Other Liabilities	133,979	69,143	29,522	15,231	163,501	84,374
Accrued Interest	33,221	34,834	18,747	19,891	51,968	54,725
Current Portion of Long-term Debt	292,203	287,387	201,337	194,399	493,540	481,786
Current Portion of Compensated Absences	50,725	60,049	22,961	18,690	73,686	78,739
Internal Balances	2,792	(93)	(2,792)	93	-	-
<b>Total Current Liabilities</b>	<b>689,793</b>	<b>656,204</b>	<b>387,373</b>	<b>641,841</b>	<b>1,077,166</b>	<b>1,298,045</b>
<i>Noncurrent Liabilities</i>						
Long-term Debt	3,027,410	3,312,726	2,391,908	2,597,899	5,419,318	5,910,625
Compensated Absences	8,614	10,018	19,831	24,957	28,445	34,975
Net Pension Liability	64,683	212,084	15,669	55,361	80,352	267,445
<b>Total Liabilities</b>	<b>3,790,500</b>	<b>4,191,032</b>	<b>2,814,781</b>	<b>3,320,058</b>	<b>6,605,281</b>	<b>7,511,090</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension Related	167,986	154,137	40,693	40,235	208,679	194,372
<b>Total Deferred Inflows of Resources</b>	<b>167,986</b>	<b>154,137</b>	<b>40,693</b>	<b>40,235</b>	<b>208,679</b>	<b>194,372</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	7,171,870	7,552,136	4,306,685	3,425,233	11,478,555	10,977,369
Restricted	1,689,931	1,427,069	-	-	1,689,931	1,427,069
Unrestricted	3,126,677	2,408,701	4,661,235	5,406,437	7,787,912	7,815,138
<b>Total Net Position</b>	<b>\$ 11,988,478</b>	<b>\$ 11,387,906</b>	<b>\$ 8,967,920</b>	<b>\$ 8,831,670</b>	<b>\$ 20,956,398</b>	<b>\$ 20,219,576</b>

## Statement of Activities

The City's total revenue for the fiscal year ended June 30, 2021 was \$7,185,846 while total cost of all programs and services was \$6,449,024. This resulted in an increase in net position of \$736,822.

The following table presents a summary of the changes in net position for the years ended June 30, 2021 and June 30, 2020:

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

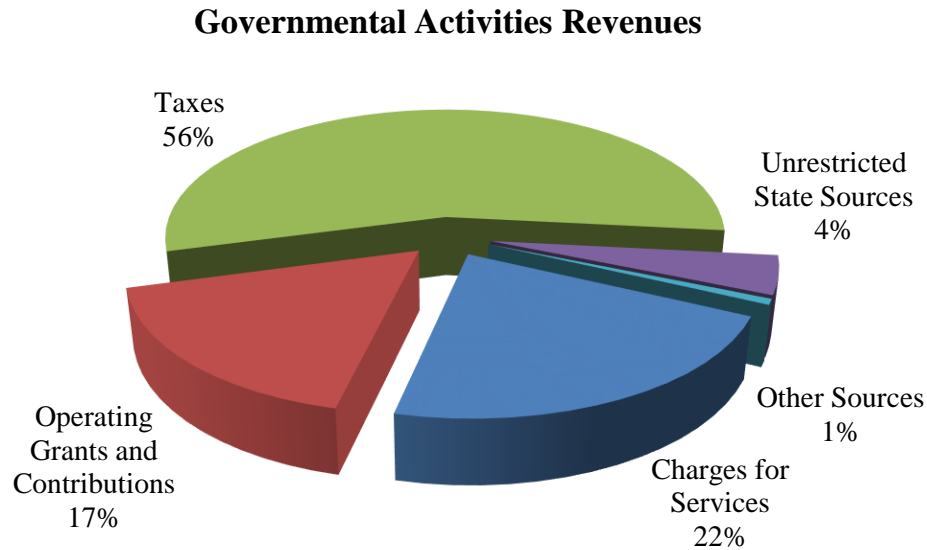
	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 1,054,339	\$ 885,097	\$ 2,428,356	\$ 2,201,691	\$ 3,482,695	\$ 3,086,788
Operating Grants and Contributions	834,727	821,328	-	-	834,727	821,328
Capital Grants and Contributions	30,441	41,268	-	-	30,441	41,268
<b>Total Program Revenues</b>	<b>1,919,507</b>	<b>1,747,693</b>	<b>2,428,356</b>	<b>2,201,691</b>	<b>4,347,863</b>	<b>3,949,384</b>
<b>General Revenues</b>						
Taxes	2,720,859	2,657,116	-	-	2,720,859	2,657,116
Unrestricted State Sources	223,637	138,761	-	-	223,637	138,761
Loss from Joint Venture	-	-	(110,423)	(90,607)	(110,423)	(90,607)
Gain on Change of Estimated Liability	-	-	-	125,000	-	125,000
Interest Income	2,776	22,945	1,134	33,821	3,910	56,766
<b>Total General Revenues</b>	<b>2,947,272</b>	<b>2,818,822</b>	<b>(109,289)</b>	<b>68,214</b>	<b>2,837,983</b>	<b>2,887,036</b>
<b>Total Revenues</b>	<b>4,866,779</b>	<b>4,566,515</b>	<b>2,319,067</b>	<b>2,269,905</b>	<b>7,185,846</b>	<b>6,836,420</b>
<b>Expenses</b>						
General Government	831,088	784,438	-	-	831,088	784,438
Public Safety	1,316,936	1,150,827	-	-	1,316,936	1,150,827
Public Works	1,319,111	1,198,058	-	-	1,319,111	1,198,058
Health and Welfare	109,238	106,056	-	-	109,238	106,056
Community and Economic Development	6,158	2,572	-	-	6,158	2,572
Recreation and Culture	775,515	839,799	-	-	775,515	839,799
Interest on Long-term Debt	94,918	101,004	-	-	94,918	101,004
Sewer, Water, and Harbor Operations	-	-	1,996,060	2,188,546	1,996,060	2,188,546
<b>Total Expenses</b>	<b>4,452,964</b>	<b>4,182,754</b>	<b>1,996,060</b>	<b>2,188,546</b>	<b>6,449,024</b>	<b>6,371,300</b>
<b>Excess or Deficiency Before Transfers</b>	<b>413,815</b>	<b>383,761</b>	<b>323,007</b>	<b>81,359</b>	<b>736,822</b>	<b>465,120</b>
<b>Transfers In (Out)</b>	<b>186,757</b>	<b>213,037</b>	<b>(186,757)</b>	<b>(213,037)</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>600,572</b>	<b>596,798</b>	<b>136,250</b>	<b>(131,678)</b>	<b>736,822</b>	<b>465,120</b>
<i>Net Position at the Beginning of Period</i>	<i>11,387,906</i>	<i>10,791,108</i>	<i>8,831,670</i>	<i>8,963,348</i>	<i>20,219,576</i>	<i>19,754,456</i>
<b>Net Position at the End of Period</b>	<b>\$ 11,988,478</b>	<b>\$ 11,387,906</b>	<b>\$ 8,967,920</b>	<b>\$ 8,831,670</b>	<b>\$ 20,956,398</b>	<b>\$ 20,219,576</b>

**Governmental Activities.** Governmental activities increased the City's net position by \$600,572 for the year ended June 30, 2021 compared to an increase of \$596,798 for the year ended June 30, 2020. Charges for services increased by \$169,242, largely a result of resumed operations during the year when compared to the prior year. Taxes revenue increased by \$63,743 as a result of an increased taxable value of approximately 2.6% in the City stemming from home sales resulting in property tax increases for new homeowners. Taxes were not increased on current residents; there were no new or increased millages. Unrestricted state sources increased by \$84,876 as the City received more unrestricted state aid.

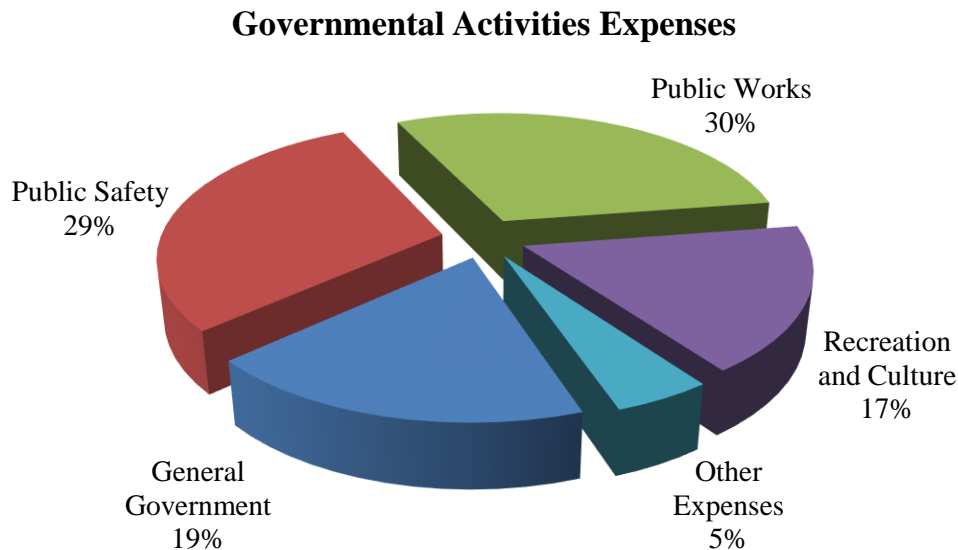
General government and public works expenses increased by \$46,650 and \$121,053 primarily because of an increase in depreciation expense recognized on prior year completed capital projects, but also due to the hiring of additional full-time positions. Public safety expenses increased by \$166,109 as the City saw a rise in fire and inspection services costs when compared to the prior year. Recreation and culture expenses decreased by \$64,284 partially due to stalled projects due to COVID-19, while casino expenses decreased from a result of decreased casino revenue sharing board funding.

**Business-type Activities.** Business-type activities increased the City’s net position by \$136,250 for the year ended June 30, 2021 compared to a decreased of \$131,678 for the year ended June 30, 2020. The sewer fund revenues increased by 4.5%, or \$46,049, while expenses decreased by \$433,873, or 38.3%. The most significant decrease was costs charged from the GRSD Sewer Authority due to the installation of new meters that more equitably charge the City for services.

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



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



## **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, 2021, the City's governmental funds reported combined fund balances of \$5,063,315, an increase of \$856,961 in comparison with the prior year. Approximately 44.8% of this amount, or \$2,270,800, constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is either *nonspendable*, *assigned*, or *restricted* to indicate that it is 1) not in spendable form, \$108,417, or 2.1%, for prepaid items, 2) assigned for particular purposes, \$994,167, or 19.7%, or 3) restricted for particular purposes \$1,689,931, or 33.4%.

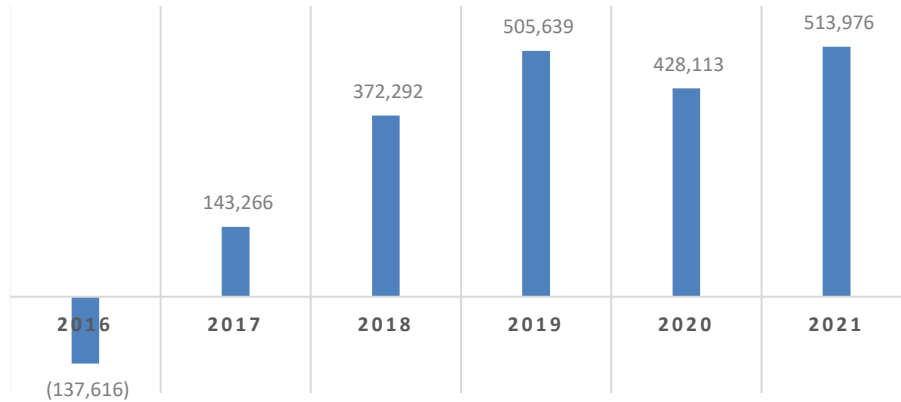
### ***General Fund***

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 \$2,270,800, while total fund balance increased to \$2,500,339. 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 72.8% of total general fund expenditures and transfers out, while total fund balance represents approximately 80.2% of that same amount.

The fund balance of the City's general fund increased by \$513,976 during the current fiscal year. The most significant reasons for the increase was due to the rise in restricted state and federal revenues related to COVID-19, along with an increase in charges for services revenue; postponement of several capital projects due to COVID-19; and a temporary reduction in payroll obligation(s). Public safety expenditures increased the most as a result of increased fire and inspection service-related costs. The City Council monitors the expenditures of the general fund closely to ensure that spending does not exceed the City's available resources.

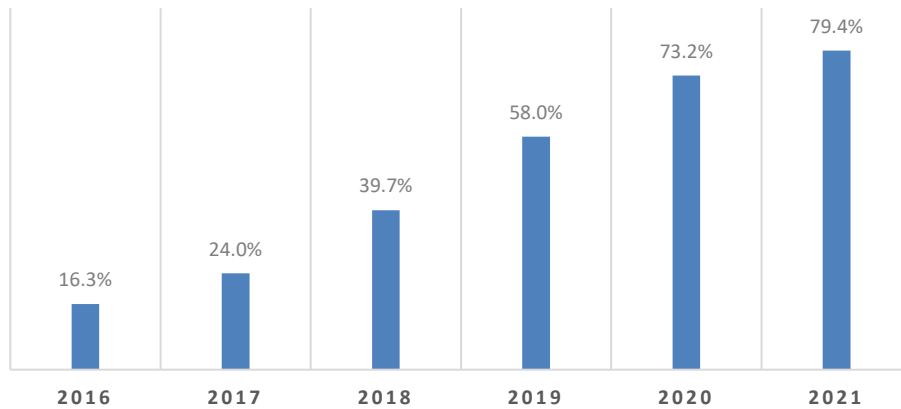
The following chart shows the annual increase (decrease) in general fund balance for the most recently completed six fiscal years:

### ANNUAL INCREASE (DECREASE) IN GENERAL FUND BALANCE



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 six fiscal years:

### GENERAL FUND UNASSIGNED FUND BALANCE AS A % OF EXPENDITURES



***Park***

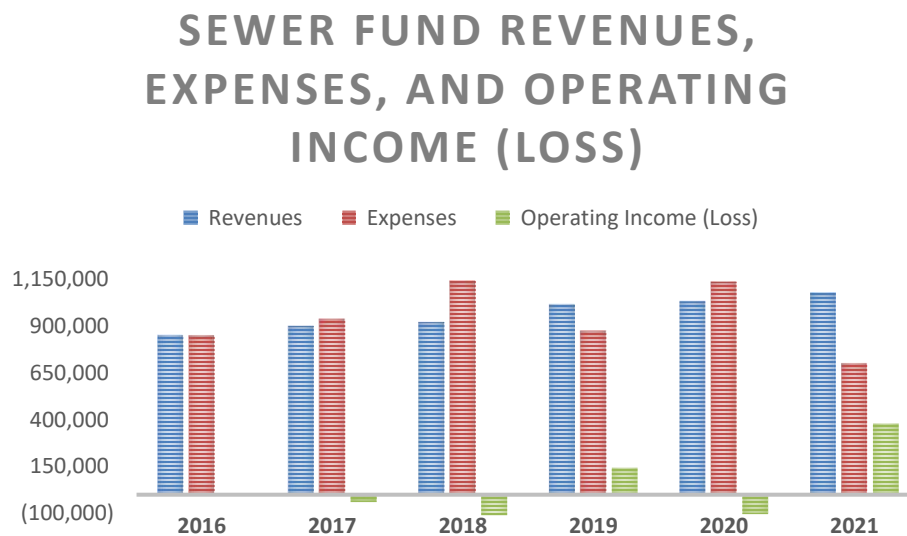
The park fund, a major fund, increased by \$29,163 during the current fiscal year for ending fund balance of \$284,681. Both revenues and expenditures remained consistent to the prior year. The most significant change was that net transfers increased to \$75,000 in the current year from \$43,273 in the prior year. The transfer was to fund the new Harbor Operations fund, comprised of the transient marina and boat launch.

## Proprietary Funds

The City's proprietary (all 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, sewer, and harbor operations. The sewer, water, and harbor operations funds provide service to most residents and businesses of the City. Harbor operations is considered to be a nonmajor enterprise fund whereas the sewer and water fund are considered to be major enterprise funds. The sewer fund had an increase in net position of \$115,155 for an ending net position of \$4,055,944; of which \$3,457,225 was unrestricted. The water fund had a decrease in net position of \$21,882 for an ending net position of \$4,868,999; of which \$1,161,033 was unrestricted. The harbor operations fund, a new fund, had an increase in net position of \$42,977 for an ending net position of \$42,977; of which the whole amount was unrestricted. Changes for the sewer, water, and harbor operations 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 six 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 one expenditure in excess of the amount appropriated during the year ended June 30, 2021: inspection services, a public safety expenditure, had a final budget of \$167,915 and an actual amount of \$172,814, resulting in a negative variance of \$4,899. This is attributed to the city's creation of a new code enforcement position this year and related costs, that are still being determined.



## **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, 2021 amounted to \$15,673,092 (net of accumulated depreciation). Of this amount, \$10,491,483 was for its governmental activities and \$5,181,609 was for its business-type activities. This investment in capital assets includes land, buildings, equipment and vehicles, and infrastructure. 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 \$5,912,858. The City reduced its long-term debt by a net \$479,553 during the year. Of the total outstanding debt, \$3,319,613 was for governmental activities while \$2,593,245 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 \$3.46 million of revenues will be available for appropriation in the general fund in the upcoming budget. Expenditures are expected to change significantly compared to 2021 as the City moves forward with large capital projects that have been delayed over the past two years. A large portion of the general fund's fund balance is expected to be used for the projects, resulting in a planned and budgeted general fund deficit. 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 2022, 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 continue to monitor the impact of the COVID-19 Pandemic on City 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, 2021**

	<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	\$ 5,030,201	\$ 2,642,217	\$ 7,672,418	\$ 273
Accounts Receivable	115,834	295,725	411,559	--
Due from Other Governmental Units	122,507	--	122,507	--
Prepays	108,417	17,263	125,680	--
<b>Total Current Assets</b>	<b>5,376,959</b>	<b>2,955,205</b>	<b>8,332,164</b>	<b>273</b>
<i>Noncurrent Assets</i>				
Capital Assets not being Depreciated	320,616	20,500	341,116	--
Capital Assets being Depreciated, net	10,170,867	5,161,109	15,331,976	--
Investment in Joint Venture	--	3,636,219	3,636,219	--
<b>Total Assets</b>	<b>15,868,442</b>	<b>11,773,033</b>	<b>27,641,475</b>	<b>273</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Charge on Refunding	--	31,340	31,340	--
Pension Related	78,522	19,021	97,543	--
<b>Total Deferred Outflows of Resources</b>	<b>78,522</b>	<b>50,361</b>	<b>128,883</b>	<b>--</b>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	176,873	117,598	294,471	--
Accrued Liabilities	95,862	29,522	125,384	--
Accrued Interest	33,221	18,747	51,968	--
Current Portion of Long-term Debt	292,203	201,337	493,540	--
Current Portion of Compensated Absences	50,725	22,961	73,686	--
Deposits Payable	38,117	--	38,117	--
Internal Balances	2,792	(2,792)	--	--
<b>Total Current Liabilities</b>	<b>689,793</b>	<b>387,373</b>	<b>1,077,166</b>	<b>--</b>
<i>Noncurrent Liabilities</i>				
Long-term Debt	3,027,410	2,391,908	5,419,318	--
Compensated Absences	8,614	19,831	28,445	--
Net Pension Liability	64,683	15,669	80,352	--
<b>Total Liabilities</b>	<b>3,790,500</b>	<b>2,814,781</b>	<b>6,605,281</b>	<b>--</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Related	167,986	40,693	208,679	--
<b>Total Deferred Inflows of Resources</b>	<b>167,986</b>	<b>40,693</b>	<b>208,679</b>	<b>--</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	7,171,870	4,306,685	11,478,555	--
<i>Restricted for:</i>				
Ambulance	31,813	--	31,813	--
Streets and Highways	782,177	--	782,177	--
Debt Service	3,115	--	3,115	--
City Projects	870,711	--	870,711	--
Public Safety	2,115	--	2,115	--
<i>Unrestricted</i>	3,126,677	4,661,235	7,787,912	273
<b>Total Net Position</b>	<b>\$ 11,988,478</b>	<b>\$ 8,967,920</b>	<b>\$ 20,956,398</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, 2021**

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	\$ 831,088	\$ 225,189	\$ 220,880	\$ 30,441	\$ (354,578)	\$ --	\$ (354,578)	\$ --
Public Safety	1,316,936	124,396	175,300	--	(1,017,240)	--	(1,017,240)	--
Public Works	1,319,111	272,655	357,256	--	(689,200)	--	(689,200)	--
Health and Welfare	109,238	--	--	--	(109,238)	--	(109,238)	--
Community and Economic Development	6,158	850	--	--	(5,308)	--	(5,308)	--
Recreation and Culture	775,515	431,249	81,291	--	(262,975)	--	(262,975)	--
Interest on Long-term Debt	94,918	--	--	--	(94,918)	--	(94,918)	--
<i>Total Governmental Activities</i>	<u>4,452,964</u>	<u>1,054,339</u>	<u>834,727</u>	<u>30,441</u>	<u>(2,533,457)</u>	<u>--</u>	<u>(2,533,457)</u>	<u>--</u>
<b>Business-type Activities:</b>								
Sewer	723,901	1,076,244	--	--	--	352,343	352,343	--
Water	1,110,791	1,172,770	--	--	--	61,979	61,979	--
Harbor Operations (Nonmajor)	161,368	179,342	--	--	--	17,974	17,974	--
<i>Total Business-type Activities</i>	<u>1,996,060</u>	<u>2,428,356</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>432,296</u>	<u>432,296</u>	<u>--</u>
<i>Total Primary Government</i>	<u>\$ 6,449,024</u>	<u>\$ 3,482,695</u>	<u>\$ 834,727</u>	<u>\$ 30,441</u>	<u>(2,533,457)</u>	<u>432,296</u>	<u>(2,101,161)</u>	<u>--</u>
<b>Component Unit</b>								
Downtown Development Authority	\$ --	\$ --	\$ --	\$ --	--	--	--	--
<i>Total Component Unit</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>General Purpose Revenues and Transfers:</b>								
<b>Revenues</b>								
Taxes					2,720,859	--	2,720,859	--
Interest Income					2,776	1,134	3,910	--
Unrestricted State Sources					223,637	--	223,637	--
Loss from Joint Venture					--	(110,423)	(110,423)	--
<b>Transfers</b>					186,757	(186,757)	--	--
<i>Total General Revenues and Transfers</i>					<u>3,134,029</u>	<u>(296,046)</u>	<u>2,837,983</u>	<u>--</u>
<i>Change in Net Position</i>					<b>600,572</b>	<b>136,250</b>	<b>736,822</b>	<b>--</b>
<i>Net Position at Beginning of Period</i>					11,387,906	8,831,670	20,219,576	273
<i>Net Position at End of Period</i>					<u>\$ 11,988,478</u>	<u>\$ 8,967,920</u>	<u>\$ 20,956,398</u>	<u>\$ 273</u>

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

**City of New Buffalo  
Balance Sheet  
Governmental Funds  
June 30, 2021**

	<u>Special Revenue</u>		<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
	<u>General</u>	<u>Park</u>		
<b>ASSETS</b>				
Cash and Investments	\$ 2,536,342	\$ 260,587	\$ 2,233,272	\$ 5,030,201
Accounts Receivable	39,661	49,102	27,071	115,834
Due from Other Governmental Units	65,904	--	56,603	122,507
Prepays	99,034	9,383	--	108,417
Due from Other Funds	93	--	22,677	22,770
<b>Total Assets</b>	<b>\$ 2,741,034</b>	<b>\$ 319,072</b>	<b>\$ 2,339,623</b>	<b>\$ 5,399,729</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 111,142	\$ 10,623	\$ 55,108	\$ 176,873
Accrued Liabilities	68,759	20,883	6,220	95,862
Deposits Payable	38,117	--	--	38,117
Due to Other Funds	22,677	2,885	--	25,562
<b>Total Liabilities</b>	<b>240,695</b>	<b>34,391</b>	<b>61,328</b>	<b>336,414</b>
<b>FUND BALANCE</b>				
Nonspendable	99,034	9,383	--	108,417
Restricted	31,813	--	1,658,118	1,689,931
Assigned	98,692	275,298	620,177	994,167
Unassigned	2,270,800	--	--	2,270,800
<b>Total Fund Balance</b>	<b>2,500,339</b>	<b>284,681</b>	<b>2,278,295</b>	<b>5,063,315</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 2,741,034</b>	<b>\$ 319,072</b>	<b>\$ 2,339,623</b>	<b>\$ 5,399,729</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, 2021**

Total Fund Balance - Governmental Funds	\$	5,063,315
General government capital assets of \$19,235,787, net of accumulated depreciation of \$8,744,304, are not financial resources and, accordingly, are not reported in the funds.		10,491,483
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.		(33,221)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(59,339)
Net pension liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds.		(154,147)
Long-term liabilities, including premium on bonds, are not due and payable in the current period and, therefore, are not reported in the funds.		(3,319,613)
<b>Total Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>11,988,478</u></b>

**City of New Buffalo**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

	<u>Special Revenue</u>		<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
	<u>General</u>	<u>Park</u>		
<b>Revenues</b>				
Taxes	\$ 2,608,825	\$ --	\$ 112,034	\$ 2,720,859
Licenses and Permits	125,760	--	--	125,760
Federal Revenues	82,655	2,000	--	84,655
State Revenues	233,641	--	358,148	591,789
Contributions from Local Units	--	--	220,880	220,880
Charges for Services	409,482	421,649	--	831,131
Fines, Fees, and Forfeits	87	--	--	87
Interest and Rents	2,011	637	728	3,376
Other Revenues	169,510	175	109,557	279,242
<b>Total Revenues</b>	<u>3,631,971</u>	<u>424,461</u>	<u>801,347</u>	<u>4,857,779</u>
<b>Expenditures</b>				
General Government	759,782	--	--	759,782
Public Safety	1,311,027	--	155	1,311,182
Public Works	628,466	--	251,742	880,208
Health and Welfare	109,238	--	--	109,238
Community and Economic Development	6,158	--	--	6,158
Recreation and Culture	--	470,298	151,503	621,801
Other	45,781	--	--	45,781
Capital Outlay	--	--	76,394	76,394
Debt Service - Principal	--	--	296,463	296,463
Debt Service - Interest	--	--	107,007	107,007
<b>Total Expenditures</b>	<u>2,860,452</u>	<u>470,298</u>	<u>883,264</u>	<u>4,214,014</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>771,519</u>	<u>(45,837)</u>	<u>(81,917)</u>	<u>643,765</u>
<b>Other Financing Sources (Uses)</b>				
Issuance of Capital Lease	--	--	26,439	26,439
Transfers In	--	75,000	445,588	520,588
Transfers Out	(257,543)	--	(76,288)	(333,831)
<b>Net Other Financing Sources (Uses)</b>	<u>(257,543)</u>	<u>75,000</u>	<u>395,739</u>	<u>213,196</u>
<b>Net Change in Fund Balance</b>	<b>513,976</b>	<b>29,163</b>	<b>313,822</b>	<b>856,961</b>
<i>Fund Balance at Beginning of Period</i>	1,986,363	255,518	1,964,473	4,206,354
<b>Fund Balance at End of Period</b>	<u>\$ 2,500,339</u>	<u>\$ 284,681</u>	<u>\$ 2,278,295</u>	<u>\$ 5,063,315</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, 2021**

Total Net Change in Fund Balances - Governmental Funds	\$	856,961
<p>Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$76,394 and trade-in of \$9,000 is exceeded by depreciation expense of \$745,477 and net disposal of capital assets of \$683.</p>		
		(660,766)
<p>Changes to accrued interest and amortization of bond premiums do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.</p>		
		12,089
<p>Changes to compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.</p>		
		10,728
<p>The statement of activities reports changes to net pension liability and pension related deferrals as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions.</p>		
		111,536
<p>Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position. Issuances of long-term debt are reported as financial resources in the governmental funds but increase long-term liabilities in the statement of net position. This represents principal payments of \$296,463 net of a capital lease issuance of \$26,439.</p>		
		270,024
<b>Changes in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>600,572</u></b>



**City of New Buffalo**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2021**

**Business-type Activities - Enterprise Funds**

	<u>Sewer</u>	<u>Water</u>	<u>Harbor Operations (Nonmajor)</u>	<u>Total Enterprise Funds</u>
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and Investments	\$ 394,990	\$ 2,158,032	\$ 89,195	\$ 2,642,217
Accounts Receivable	156,534	139,191	--	295,725
Prepays	1,277	15,986	--	17,263
Due from Other Funds	--	--	2,885	2,885
<b>Total Current Assets</b>	<b>552,801</b>	<b>2,313,209</b>	<b>92,080</b>	<b>2,958,090</b>
<i>Noncurrent Assets</i>				
Capital Assets not being Depreciated	3,500	17,000	--	20,500
Capital Assets being Depreciated, net	595,219	4,565,890	--	5,161,109
Investment in Joint Venture	3,636,219	--	--	3,636,219
<b>Total Assets</b>	<b>4,787,739</b>	<b>6,896,099</b>	<b>92,080</b>	<b>11,775,918</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Charge on Refunding	31,340	--	--	31,340
Pension Related	--	19,021	--	19,021
<b>Total Deferred Outflows of Resources</b>	<b>31,340</b>	<b>19,021</b>	<b>--</b>	<b>50,361</b>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts Payable	51,283	24,125	42,190	117,598
Accrued Liabilities	3,814	18,795	6,913	29,522
Accrued Interest	3,936	14,811	--	18,747
Current Portion of Long-term Debt	73,644	127,693	--	201,337
Current Portion of Compensated Absences	--	22,961	--	22,961
Due to Other Funds	--	93	--	93
<b>Total Current Liabilities</b>	<b>132,677</b>	<b>208,478</b>	<b>49,103</b>	<b>390,258</b>
<i>Noncurrent Liabilities</i>				
Long-term Debt	630,458	1,761,450	--	2,391,908
Compensated Absences	--	19,831	--	19,831
Net Pension Liability	--	15,669	--	15,669
<b>Total Liabilities</b>	<b>763,135</b>	<b>2,005,428</b>	<b>49,103</b>	<b>2,817,666</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Related	--	40,693	--	40,693
<b>Total Deferred Inflows of Resources</b>	<b>--</b>	<b>40,693</b>	<b>--</b>	<b>40,693</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	598,719	3,707,966	--	4,306,685
<i>Unrestricted</i>	3,457,225	1,161,033	42,977	4,661,235
<b>Total Net Position</b>	<b>\$ 4,055,944</b>	<b>\$ 4,868,999</b>	<b>\$ 42,977</b>	<b>\$ 8,967,920</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, 2021**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Total Enterprise Funds</b>
	<b>Sewer</b>	<b>Water</b>	<b>Harbor Operations (Nonmajor)</b>	
<b>Operating Revenues</b>				
Charges for Services	\$ 1,076,244	\$ 1,172,770	\$ 167,672	\$ 2,416,686
<b>Total Operating Revenues</b>	<b>1,076,244</b>	<b>1,172,770</b>	<b>167,672</b>	<b>2,416,686</b>
<b>Operating Expenses</b>				
Personnel Services	66,684	432,389	57,575	556,648
Supplies	800	88,556	2,270	91,626
Contractual Services	2,750	53,742	74,630	131,122
Utilities	544,562	47,445	9,605	601,612
Repairs and Maintenance	34,721	210,236	14,755	259,712
Other Services and Charges	3,600	19,142	2,533	25,275
Depreciation	47,105	208,355	--	255,460
<b>Total Operating Expenses</b>	<b>700,222</b>	<b>1,059,865</b>	<b>161,368</b>	<b>1,921,455</b>
<b>Operating Income (Loss)</b>	<b>376,022</b>	<b>112,905</b>	<b>6,304</b>	<b>495,231</b>
<b>Non-Operating Revenues (Expenses)</b>				
Interest Income	167	964	3	1,134
Loss from Joint Venture	(110,423)	--	--	(110,423)
Insurance Recovery	--	--	11,670	11,670
Interest Expense	(23,679)	(50,926)	--	(74,605)
<b>Net Non-Operating Revenues (Expenses)</b>	<b>(133,935)</b>	<b>(49,962)</b>	<b>11,673</b>	<b>(172,224)</b>
<b>Income Before Transfers</b>	<b>242,087</b>	<b>62,943</b>	<b>17,977</b>	<b>323,007</b>
Transfers In	--	--	25,000	25,000
Transfers Out	(126,932)	(84,825)	--	(211,757)
<b>Change In Net Position</b>	<b>115,155</b>	<b>(21,882)</b>	<b>42,977</b>	<b>136,250</b>
<i>Net Position at Beginning of Period</i>	3,940,789	4,890,881	--	8,831,670
<b>Net Position at End of Period</b>	<b>\$ 4,055,944</b>	<b>\$ 4,868,999</b>	<b>\$ 42,977</b>	<b>\$ 8,967,920</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, 2021**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Total Enterprise Funds</b>
	<b>Sewer</b>	<b>Water</b>	<b>Harbor Operations (Nonmajor)</b>	
<b>Cash Flows from Operating Activities</b>				
Cash Received from Charges for Services	\$ 1,062,682	\$ 1,168,767	\$ 167,672	\$ 2,399,121
Cash Paid to Employees for Services and Fringe Benefits	(65,262)	(459,299)	(50,662)	(575,223)
Cash Paid to Suppliers for Good and Services	(866,250)	(458,037)	(61,603)	(1,385,890)
<b>Net Cash Provided by Operating Activities</b>	<u>131,170</u>	<u>251,431</u>	<u>55,407</u>	<u>438,008</u>
<b>Cash Flows from Non-capital Financing Activities</b>				
Other Non-Operating Revenues	-	-	11,670	11,670
Transfers In (Out)	(126,932)	(84,825)	25,000	(186,757)
Change in Interfund Balances	-	-	(2,885)	(2,885)
<b>Net Cash Provided (Used) by Non-capital Financing Activities</b>	<u>(126,932)</u>	<u>(84,825)</u>	<u>33,785</u>	<u>(177,972)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Amortization of Deferred Charge and Bond Premium on Long-term Debt	(6,475)	(4,654)	-	(11,129)
Principal and Interest Paid on Long-term Debt	(89,921)	(169,751)	-	(259,672)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(96,396)</u>	<u>(174,405)</u>	<u>-</u>	<u>(270,801)</u>
<b>Cash Flows from Investing Activities</b>				
Interest Income	167	964	3	1,134
<b>Net Cash Provided by Investing Activities</b>	<u>167</u>	<u>964</u>	<u>3</u>	<u>1,134</u>
<b>Net Increase (Decrease) in Cash and Investments</b>	(91,991)	(6,835)	89,195	(9,631)
<i>Cash and Investments - Beginning of Year</i>	486,981	2,164,867	-	2,651,848
<b>Cash and Investments - End of Year</b>	<u>\$ 394,990</u>	<u>\$ 2,158,032</u>	<u>\$ 89,195</u>	<u>\$ 2,642,217</u>

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, 2021**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Sewer</b>	<b>Water</b>	<b>Harbor Operations (Nonmajor)</b>	<b>Total Enterprise Funds</b>
<b>Reconciliation of Operating Income to</b>				
<b>Net Cash Provided by Operating Activities</b>				
Operating Income	\$ 376,022	\$ 112,905	\$ 6,304	\$ 495,231
<b>Adjustments to Reconcile Operating Income to</b>				
<b>Net Cash Provided by Operating Activities</b>				
Depreciation Expense	47,105	208,355	-	255,460
<b>Changes in Assets, Deferred Outflows/Inflows, and Liabilities</b>				
Accounts Receivable	(13,562)	(4,003)	-	(17,565)
Prepaid Items	9	(613)	-	(604)
Accounts Payable	(279,826)	(38,303)	42,190	(275,939)
Accrued Liabilities	1,422	5,956	6,913	14,291
Compensated Absences	-	(855)	-	(855)
Net Pension Liability and Related Deferred Items	-	(32,011)	-	(32,011)
<b><i>Net Cash Provided by Operating Activities</i></b>	<b><u>\$ 131,170</u></b>	<b><u>\$ 251,431</u></b>	<b><u>\$ 55,407</u></b>	<b><u>\$ 438,008</u></b>

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

**City of New Buffalo**  
**Statement of Fiduciary Net Position**  
**Fiduciary Fund**  
**June 30, 2021**

	<b>Custodial</b>
<b>ASSETS</b>	
Cash and Investments	\$ 68,782
<i>Total Assets</i>	<i>68,782</i>
<b>LIABILITIES</b>	
Undistributed Collections	68,782
<i>Total Liabilities</i>	<i>68,782</i>
<b>NET POSITION</b>	
Restricted for Individuals, Organizations, and Agencies	\$ --

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

**City of New Buffalo**  
**Statement of Change in Fiduciary Net Position**  
**Fiduciary Fund**  
**For the Year Ended June 30, 2021**

	<b>Custodial</b>
<b>Additions</b>	
Taxes Collected for Other Governments	\$ 7,015,426
<b><i>Total Additions</i></b>	<b><i>7,015,426</i></b>
<b>Deductions</b>	
Payments of Property Taxes to Other Governments	7,015,426
<b><i>Total Deductions</i></b>	<b><i>7,015,426</i></b>
<b><i>Change in Net Position</i></b>	<b><i>--</i></b>
<i>Net Position at Beginning of Period</i>	<i>--</i>
<b><i>Net Position at End of Period</i></b>	<b><i>\$ --</i></b>

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

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#### **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 ("DDA") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA has not reported revenue over multiple years due to the negative tax captures within the district. The DDA's governing body, which consists of nine members, is selected by the City Council. In addition, the DDA's budget is subject to approval by the City Council. The financial statements of the DDA are included in the City's financial statements and are not audited separately.

##### ***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

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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 ***park fund*** is used for the operations of the city's park and beaches and is primarily financed by parking fees and vendor sales.

## City of New Buffalo

### Notes to the Financial Statements

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The City reports the following proprietary funds:

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

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

The *harbor operations fund* accounts for the activities of the City's harbor.

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.

*Custodial funds* are custodial in nature and do not present results of operations or have a measurement focus. Custodial funds are accounted for using the accrual basis of accounting. These funds are used to account for asset that the government holds for others in a custodial capacity (such as taxes collected for other governments).

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.

## City of New Buffalo

### Notes to the Financial Statements

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#### **Financial Statement Presentation – Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity**

##### *Deposits and Investments*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, all local government investment pools, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value at the balance sheet date. 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.

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.
- In United States government or federal agency obligation repurchase agreements.
- Bankers' acceptances of United States banks.
- 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 March, 1997.

##### *Receivables and Payables*

All trade receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. The City reported no allowance for doubtful accounts as of year-end as management deemed all trade receivables to be fully collectible.

# City of New Buffalo

## Notes to the Financial Statements

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Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as “due to/from other funds” (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

### ***Due from Other Governmental Units***

Due from other governmental units consists of amounts due from the State of Michigan or other governments for various payments and grants.

### ***Prepays***

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

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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.

#### ***Pension***

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to the pension, 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 net position and 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 City has several items that qualify for reporting in these categories and are reported in the statement of net position. These items correspond to the City's net pension liability and are related to the net difference between projected and actual earnings on pension plan investments, differences between expected and actual experience, changes of assumptions, and contributions subsequent to the measurement date. The City also reports a deferred charge on refunded debt

## City of New Buffalo

### Notes to the Financial Statements

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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.

#### ***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 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.

## City of New Buffalo

### Notes to the Financial Statements

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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. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, the unassigned classification is used only to report a deficit.

#### ***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.

The City's 2020 tax is levied and collectible on December 1, 2020 and is recognized as revenue in the year ended June 30, 2021, when the proceeds of the levy are budgeted and available for the financing of operations. The 2020 taxable valuation of the City totaled \$244,645,080. For the year ended June 30, 2021, the City levied a millage of 10.2232 for general operations and 0.4575 for parks.

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

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

#### **Note 2 - Stewardship, Compliance, and Accountability**

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

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

- a) The fiscal year shall begin on July 1 and end on June 30 of each year.
- b) Prior to May 1, the City Manager shall submit to the City Council a proposed operating budget.

## City of New Buffalo

### Notes to the Financial Statements

- c) A public hearing must be held before the budget is adopted.
- d) 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 custodial 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.

#### *Excess of Expenditures over Budget*

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. Budgetary control is exercised at the activity level in the general fund and the function level in other funds.

The City had one expenditure in excess of the amount appropriated during the year ended June 30, 2021:

	<b>Final Budget</b>	<b>Actual Amount</b>	<b>Negative Variance</b>
<b>General Fund</b>			
<i>Public Safety</i>			
Inspection Services	\$ 167,915	\$ 172,814	\$ (4,899)

#### **Note 3 - Deposits and Investments**

Following is a reconciliation of deposit balances as of June 30, 2021:

	<b>Primary Government</b>	<b>Component Unit</b>	<b>Totals</b>
<b>Statement of Net Position</b>			
Cash and Investments	\$ 7,672,418	\$ 273	\$ 7,672,691
<b>Statement of Fiduciary Net Position</b>			
Cash and Investments	68,782	-	68,782
<b><i>Total Cash and Investments</i></b>	<b>\$ 7,741,200</b>	<b>\$ 273</b>	<b>\$ 7,741,473</b>
	<b>Deposits and Investments</b>		
Checking and Savings Accounts			\$ 4,919,204
Brokerage Accounts / Money Market			2,821,369
Cash on Hand			900
<b><i>Total Deposits and Investments</i></b>			<b>\$ 7,741,473</b>



## City of New Buffalo

### Notes to the Financial Statements

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***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, \$4,651,169 of the City's bank balance of \$5,151,169 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 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.

***Credit Risk - Investments.*** State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk. All investments are insured under SPIC. The City's investments of \$2,821,369 in money market balances have an AAAm<sup>2</sup> rating by Standard & Poor's.

***Interest Rate Risk.*** Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's money market accounts of \$2,821,369 are liquid assets and do not have a maturity date.

***Fair Value Measurement.*** The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of June 30, 2021:

- The money market accounts are held by a custodian and have CUSIP numbers allowing for identification of known active market rates and, accordingly, are valued with Level 1 inputs.

## City of New Buffalo

### Notes to the Financial Statements

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#### Note 4 - Interfund Receivables, Payables, and Transfers

The City had the following interfund balances as of June 30, 2021:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
Nonmajor Governmental Funds	General	\$ 22,677
General	Water	93
Harbor Operations	Park	2,885

These balances resulted from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Interfund transfers in and out for the year ended June 30, 2021 are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Park	General	\$ 75,000
Nonmajor Governmental Funds	General	157,543
Harbor Operations	General	25,000
Nonmajor Governmental Funds	Nonmajor Governmental Funds	76,288
Nonmajor Governmental Funds	Water	84,825
Nonmajor Governmental Funds	Sewer	126,932

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.

## City of New Buffalo

### Notes to the Financial Statements

#### Note 5 - Capital Assets

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

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Capital Assets not being Depreciated				
Land	\$ 320,616	\$ -	\$ -	\$ 320,616
Capital Assets being Depreciated				
Land Improvements	3,942,197	-	-	3,942,197
Buildings and Improvements	2,863,846	-	-	2,863,846
Machinery and Equipment	4,234,174	85,394	(88,105)	4,231,463
Infrastructure	7,877,665	-	-	7,877,665
<i>Subtotal</i>	<u>18,917,882</u>	<u>85,394</u>	<u>(88,105)</u>	<u>18,915,171</u>
Less Accumulated Depreciation				
Land Improvements	(1,757,541)	(179,431)	-	(1,936,972)
Buildings and Improvements	(1,714,518)	(78,103)	-	(1,792,621)
Machinery and Equipment	(3,749,097)	(128,131)	87,422	(3,789,806)
Infrastructure	(865,093)	(359,812)	-	(1,224,905)
<i>Subtotal</i>	<u>(8,086,249)</u>	<u>(745,477)</u>	<u>87,422</u>	<u>(8,744,304)</u>
Capital Assets being Depreciated, Net	<u>10,831,633</u>	<u>(660,083)</u>	<u>(683)</u>	<u>10,170,867</u>
<b>Capital Assets, Net</b>	<u>\$ 11,152,249</u>	<u>\$ (660,083)</u>	<u>\$ (683)</u>	<u>\$ 10,491,483</u>

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

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Capital Assets not being Depreciated				
Land	\$ 20,500	\$ -	\$ -	\$ 20,500
Capital Assets being Depreciated				
Buildings, Infrastructure, and Improvements	10,492,549	-	-	10,492,549
Machinery and Equipment	376,006	-	-	376,006
<i>Subtotal</i>	<u>10,868,555</u>	<u>-</u>	<u>-</u>	<u>10,868,555</u>
Less Accumulated Depreciation				
Buildings, Infrastructure, and Improvements	(5,220,393)	(233,501)	-	(5,453,894)
Machinery and Equipment	(231,593)	(21,959)	-	(253,552)
<i>Subtotal</i>	<u>(5,451,986)</u>	<u>(255,460)</u>	<u>-</u>	<u>(5,707,446)</u>
Capital Assets being Depreciated, Net	<u>5,416,569</u>	<u>(255,460)</u>	<u>-</u>	<u>5,161,109</u>
<b>Capital Assets, Net</b>	<u>\$ 5,437,069</u>	<u>\$ (255,460)</u>	<u>\$ -</u>	<u>\$ 5,181,609</u>

## City of New Buffalo

### Notes to the Financial Statements

Depreciation expense was charged to the City as follows:

#### Governmental Activities

General Government	\$ 73,213
Public Safety	51,242
Public Works	459,302
Recreation and Culture	161,720
<i>Total</i>	\$ 745,477

#### Business-type Activities

Sewer	\$ 47,105
Water	208,355
<i>Total</i>	\$ 255,460

### Note 6 - Long-term Obligations

The following is a summary of the long-term obligations' activity for the year:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
2017 Capital Improvement Bonds	\$ 3,310,000	\$ -	\$ (240,000)	\$ 3,070,000	\$ 245,000
2020 Capital Lease Agreement - Police	22,424	-	(10,966)	11,458	11,458
2020 Capital Lease Agreement - Police	-	26,439	(9,076)	17,363	8,453
2017 Capital Lease Agreement - Leaf Vac	124,663	-	(22,665)	101,998	23,746
2016 Capital Lease Agreement - Bobcat	17,302	-	(13,756)	3,546	3,546
Premium on Bonds	125,724	-	(10,476)	115,248	-
<b>Total Long-term Debt</b>	\$ 3,600,113	\$ 26,439	\$ (306,939)	\$ 3,319,613	\$ 292,203
<b>Compensated Absences</b>	\$ 70,067	\$ 1,307	\$ (12,035)	\$ 59,339	\$ 50,725
<b>Business-type Activities</b>					
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2012 Capital Lease Agreement	\$ 949,924	\$ -	\$ (75,000)	\$ 874,924	\$ 80,000
General Obligation Limited Tax Bond - GRSD	739,347	-	(71,706)	667,641	73,644
2017 Lighthouse Creek Drain Bond	1,061,912	-	(47,693)	1,014,219	47,693
Premium on Bonds	41,115	-	(4,654)	36,461	-
<b>Total Long-term Debt</b>	\$ 2,792,298	\$ -	\$ (199,053)	\$ 2,593,245	\$ 201,337
<b>Compensated Absences</b>	\$ 43,647	\$ -	\$ (855)	\$ 42,792	\$ 22,961

## City of New Buffalo

### Notes to the Financial Statements

The annual requirements to amortize all debt outstanding (excluding compensated absences and premium on bonds) as of June 30, 2021 are as follows:

Year Ended June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 292,203	\$ 98,626	\$ 390,829	\$ 201,337	\$ 71,779	\$ 273,116
2023	283,788	88,630	372,418	207,050	66,913	273,963
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	270,000	61,800	331,800	226,382	48,423	274,805
2027 - 2031	1,465,000	183,150	1,648,150	1,045,816	137,157	1,182,973
2032 - 2036	325,000	9,750	334,750	364,712	40,820	405,532
2037	-	-	-	79,994	1,262	81,256
<b>Total</b>	<b>\$ 3,204,365</b>	<b>\$ 591,988</b>	<b>\$ 3,796,353</b>	<b>\$ 2,556,784</b>	<b>\$ 482,340</b>	<b>\$ 3,039,124</b>

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

Descriptions of the outstanding debt is as shown below:

Series 2017 Capital Improvement Bond - \$225,000 to \$325,000 annually plus interest at 2.0-3.0% through 2032	\$ 3,070,000
2020 Capital Lease - \$10,966 to \$11,972 annually plus interest payments of \$1,005 and \$514 through 2022	11,458
2020 Capital Lease - \$8,453 - \$9,076, annually plus interest payments at 5.40% through 2023	17,363
2017 Capital Lease - \$10,444 - \$13,814, annually plus interest payments at 4.67% through 2025	101,998
2016 Capital Lease - \$933 - \$1,187, monthly plus interest payments at 4.9% through 2022	3,546
Capital Lease Agreement - \$61,000 to \$99,924 annually plus interest at 2.50% through 2031	874,924
2013 GRSD GO Bond - \$70,737 to \$93,993 annually plus interest at 4.10% through 2028	667,641
2017 Lighthouse Creek Bond - \$34,162 to \$79,995 annually plus interest at 2.00% through 2037	1,014,219
Unamortized bond premiums	151,709
	<u>\$ 5,912,858</u>

#### **Note 7 - 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

## City of New Buffalo

### Notes to the Financial Statements

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:

<u>Division</u>	<u>Benefit Multiplier</u>	<u>Final Average Compensation (Years)</u>	<u>Normal Retirement Age</u>	<u>Unreduced Benefit (Age/Years of Service)</u>	<u>Reduced Benefit (Age/Years of Service)</u>	<u>Vesting (Years)</u>
General - Open	1.50% (No Max)	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.

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

At the December 31, 2020 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	20
Active Plan Members	<u>23</u>
<b><i>Total Employees Covered By MERS</i></b>	<b><u>50</u></b>

#### ***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 8.00% 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, 2021 was determined using a measure of the total pension liability and the pension net position as of December 31, 2020. The December 31, 2020 total pension liability was determined by an actuarial valuation performed as of that date.

## City of New Buffalo

### Notes to the Financial Statements

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#### *Actuarial Assumptions*

The total pension liability in the December 31, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.00%, in the long-term
Investment Rate of Return	7.35%, net of investment and administrative expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.75% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%. Mortality rates used were based on the RP-2019 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 2013-2018.

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>Long-term Expected Real Rate of Return</u>
Global Equity	60.00%	5.25%
Global Fixed Income	20.00%	1.25%
Private Investments	20.00%	7.25%
<b>Total</b>	<b>100.00%</b>	

#### *Discount Rate*

The discount rate used to measure the total pension liability in the current year and prior year was 7.60%. 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:

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Net Position</b>	<b>Net Pension Liability</b>
<b>Balance at December 31, 2019</b>	\$ 2,716,042	\$ 2,448,597	\$ 267,445
<i>Changes for the Year:</i>			
Service Cost	85,936	-	85,936
Interest on Total Pension Liability	205,397	-	205,397
Differences Between Expected and Actual Experience	12,680	-	12,680
Changes of Assumptions	(19,398)	-	(19,398)
Employer Contributions	-	104,232	(104,232)
Employee Contributions	-	46,905	(46,905)
Net Investment Income	-	325,585	(325,585)
Benefit Payments, Including Refunds	(112,833)	(112,833)	-
Administrative Expenses	-	(5,014)	5,014
<i>Net Changes</i>	171,782	358,875	(187,093)
<b>Balance at December 31, 2020</b>	\$ 2,887,824	\$ 2,807,472	\$ 80,352
	<b>Allocated to:</b>		
		Governmental Activities	\$ 64,683
		Business-type Activities	15,669
		<b>Total</b>	<b>\$ 80,352</b>

***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%, 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%) or one percentage point higher (8.60%) than the current rate:

	<b>1% Decrease (6.60%)</b>	<b>Current Discount Rate (7.60%)</b>	<b>1% Increase (8.60%)</b>
	Net Pension Liability (Asset) of the City	\$ 441,510	\$ 80,352



## City of New Buffalo

### Notes to the Financial Statements

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

For the year ended June 30, 2021, the City recognized pension expense of \$(39,489). At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Source</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 103,409
Differences Between Expected and Actual Experience	9,510	90,721
Changes of Assumptions	39,502	14,549
Employer Contributions to the Plan Subsequent to the Measurement Date*	48,531	-
<b>Total</b>	<b>\$ 97,543</b>	<b>\$ 208,679</b>
<b>Allocated to:</b>		
Governmental Activities	\$ 78,522	\$ 167,986
Business-type Activities	19,021	40,693
<b>Total</b>	<b>\$ 97,543</b>	<b>\$ 208,679</b>

\* 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, 2022.

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

<b>Years Ending June 30,</b>	<b>Amount</b>
2022	\$ (90,268)
2023	13,784
2024	(55,538)
2025	(27,645)

#### ***Significant Changes to the Pension Valuation***

At the February 27, 2020, board meeting, the MERS Retirement Board adopted demographic assumptions effective with the December 31, 2020, annual actuarial valuation, which will impact contributions beginning in 2022. A 5-year experience study analyzing historical experience from 2013 through 2018 was completed in February 2020. In addition to changes to the economic assumptions which took effect with the fiscal year 2021 contribution rates, the experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, disability, and termination rates. Changes to the demographic assumptions resulting from the experience study have been approved by the MERS Retirement

## City of New Buffalo

### Notes to the Financial Statements

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Board and are effective beginning with the December 31, 2020, actuarial valuation, first impacting 2022 contributions.

#### **Note 8 - 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 funding for the operations of the cemetery. The City contributed \$30,500 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 communities. 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

## City of New Buffalo

### Notes to the Financial Statements

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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, 2021 is \$667,641.

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 \$3,636,219 at December 31, 2020 (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 9 - Fund Balances - Governmental Funds

The City reports fund balance in governmental funds based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Detailed information on fund balances of governmental funds is as follows:

	<u>General</u>	<u>Park</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable</b>				
Prepays	\$ 99,034	\$ 9,383	\$ -	\$ 108,417
<b>Total Nonspendable</b>	<u>99,034</u>	<u>9,383</u>	<u>-</u>	<u>108,417</u>
<b>Restricted for:</b>				
Ambulance	31,813	-	-	31,813
Streets and Highways	-	-	782,177	782,177
Debt Service	-	-	3,115	3,115
City Projects	-	-	870,711	870,711
Public Safety	-	-	2,115	2,115
<b>Total Restricted</b>	<u>31,813</u>	<u>-</u>	<u>1,658,118</u>	<u>1,689,931</u>
<b>Assigned for:</b>				
Subsequent Year's Budget	98,692	-	-	98,692
Parks	-	275,298	-	275,298
Dredge	-	-	466,808	466,808
Capital Projects	-	-	153,369	153,369
<b>Total Assigned</b>	<u>98,692</u>	<u>275,298</u>	<u>620,177</u>	<u>994,167</u>
<b>Unassigned</b>	<u>2,270,800</u>	<u>-</u>	<u>-</u>	<u>2,270,800</u>
<b>Total Fund Balances - Governmental Funds</b>	<u>\$ 2,500,339</u>	<u>\$ 284,681</u>	<u>\$ 2,278,295</u>	<u>\$ 5,063,315</u>

#### Note 10 - Subsequent Events

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals in the United States and worldwide. In response, the United States federal government and individual state and local governments have implemented measures to combat the outbreak that have impacted business operations. During the

## City of New Buffalo

### Notes to the Financial Statements

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2020-2021 fiscal year, the City's operations were significantly impacted, as shelter-in-place orders and government mandates impacted census volumes. The City has moved to mitigate the impact by managing the workforce, actively managing cash balances, and implementing other cost reduction measures.

During July 2021 the Council approved an MDNR Waterways grant in the amount of \$689,481, a United States Department of Agriculture Rural Business Development grant of \$47,900, and a street resurfacing project for \$201,064.

#### **Note 11 - New Accounting Pronouncement Adopted**

The City adopted the provisions of **GASB Statement No. 84, *Fiduciary Activities***, in the current year. As a result of this change, the current tax collection agency fund was converted into a custodial fund. In addition, the custodial fund now shows activity that occurred throughout the year.

## **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, 2021**

	<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>				
Taxes	\$ 2,603,055	\$ 2,603,055	\$ 2,608,825	\$ 5,770
Licenses and Permits	62,000	62,000	125,760	63,760
Federal Revenues	--	--	82,655	82,655
State Revenues	130,095	130,095	233,641	103,546
Charges for Services	369,954	369,954	409,482	39,528
Fines, Fees, and Forfeits	500	500	87	(413)
Interest and Rents	7,000	7,000	2,011	(4,989)
Other Revenue	93,841	93,841	169,510	75,669
<b>Total Revenues</b>	<u>3,266,445</u>	<u>3,266,445</u>	<u>3,631,971</u>	<u>365,526</u>
<b>Expenditures</b>				
<b>General Government</b>				
Legislative	14,665	14,665	11,700	2,965
Executive	77,708	81,808	67,615	14,193
Clerk	153,296	160,296	131,644	28,652
Board of Review	2,000	2,000	1,279	721
Treasurer	127,820	147,055	145,274	1,781
Assessor	28,585	50,085	31,038	19,047
Elections	11,690	13,990	12,097	1,893
Attorney	65,000	65,000	42,592	22,408
Cemetery	30,000	30,000	30,000	--
General Government	286,170	295,170	286,543	8,627
<b>Total General Government</b>	<u>796,934</u>	<u>860,069</u>	<u>759,782</u>	<u>100,287</u>
<b>Public Safety</b>				
Police	1,043,720	1,043,720	991,841	51,879
Fire	147,756	197,386	146,372	51,014
Inspection Services	141,400	167,915	172,814	(4,899)
<b>Total Public Safety</b>	<u>1,332,876</u>	<u>1,409,021</u>	<u>1,311,027</u>	<u>97,994</u>
<b>Public Works</b>				
Street Operating	365,226	430,226	352,366	77,860
Street Lighting	37,000	37,000	21,988	15,012
Solid Waste Collection	272,256	272,256	254,112	18,144
<b>Total Public Works</b>	<u>674,482</u>	<u>739,482</u>	<u>628,466</u>	<u>111,016</u>
<b>Health and Welfare</b>				
Ambulance Service	110,817	110,817	109,238	1,579
<b>Community and Economic Development</b>				
Planning Commission	4,600	4,600	1,229	3,371
Zoning Board of Appeals	900	12,200	4,929	7,271
<b>Total Community and Economic Development</b>	<u>5,500</u>	<u>16,800</u>	<u>6,158</u>	<u>10,642</u>
<b>Other Functions</b>				
<b>Total Expenditures</b>	<u>65,800</u>	<u>65,800</u>	<u>45,781</u>	<u>20,019</u>
<b>Total Expenditures</b>	<u>2,986,409</u>	<u>3,201,989</u>	<u>2,860,452</u>	<u>341,537</u>
<b>Other Financing Uses</b>				
Transfers Out	232,543	257,543	257,543	--
<b>Total Expenditures and Other Financing Uses</b>	<u>3,218,952</u>	<u>3,459,532</u>	<u>3,117,995</u>	<u>341,537</u>
<b>Excess (Deficiency) of Revenues Over Expenditures and Other Uses</b>				
<b>Net Change in Fund Balance</b>	<u>47,493</u>	<u>(193,087)</u>	<u>513,976</u>	<u>707,063</u>
<b>Fund Balance at Beginning of Period</b>	<u>1,986,363</u>	<u>1,986,363</u>	<u>1,986,363</u>	<u>--</u>
<b>Fund Balance at End of Period</b>	<u>\$ 2,033,856</u>	<u>\$ 1,793,276</u>	<u>\$ 2,500,339</u>	<u>\$ 707,063</u>

**City of New Buffalo**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Park**  
**For the Year Ended June 30, 2021**

	<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>				
Federal Revenues	\$ --	\$ --	\$ 2,000	\$ 2,000
Charges for Services	400,200	400,200	421,649	21,449
Interest and Rents	1,100	1,100	637	(463)
Other Revenue	--	--	175	175
<b>Total Revenues</b>	<u>401,300</u>	<u>401,300</u>	<u>424,461</u>	<u>23,161</u>
<b>Other Financing Sources</b>				
Transfers In	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>--</u>
<b>Total Revenues and Other Financing Sources</b>	<u>476,300</u>	<u>476,300</u>	<u>499,461</u>	<u>23,161</u>
<b>Expenditures</b>				
Park	<u>547,211</u>	<u>567,211</u>	<u>470,298</u>	<u>96,913</u>
<b>Total Expenditures</b>	<u>547,211</u>	<u>567,211</u>	<u>470,298</u>	<u>96,913</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures</b>	<u>(70,911)</u>	<u>(90,911)</u>	<u>29,163</u>	<u>120,074</u>
<b>Net Change in Fund Balance</b>	<u>(70,911)</u>	<u>(90,911)</u>	<u>29,163</u>	<u>120,074</u>
<b>Fund Balance at Beginning of Period</b>	<u>255,518</u>	<u>255,518</u>	<u>255,518</u>	<u>--</u>
<b>Fund Balance at End of Period</b>	<u>\$ 184,607</u>	<u>\$ 164,607</u>	<u>\$ 284,681</u>	<u>\$ 120,074</u>



**City of New Buffalo**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Last Seven Calendar Years (Built Prospectively Upon Implementation of GASB68)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>							
Service Cost	\$ 85,936	\$ 76,571	\$ 73,622	\$ 78,293	\$ 74,071	\$ 69,133	\$ 64,147
Interest on Total Pension Liability	205,397	197,919	202,553	202,993	200,816	182,416	169,562
Differences Between Expected and Actual Experience	12,680	(15,708)	(209,895)	(151,970)	(131,420)	22,734	-
Changes of Assumptions	(19,398)	79,003	-	-	-	114,029	-
Benefit Payments, Including Refunds	(112,833)	(114,892)	(130,936)	(134,024)	(102,691)	(80,683)	(80,111)
Other Changes	-	-	(2,770)	-	-	-	-
<b>Net Change in Pension Liability</b>	<u>171,782</u>	<u>222,893</u>	<u>(67,426)</u>	<u>(4,708)</u>	<u>40,776</u>	<u>307,629</u>	<u>153,598</u>
<i>Total Pension Liability - Beginning</i>	<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>	<u>2,063,280</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 2,887,824</u>	<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	\$ 104,232	\$ 91,208	\$ 97,724	\$ 93,598	\$ 84,229	\$ 78,194	\$ 74,510
Contributions - Employee	46,905	41,044	43,979	42,123	40,781	40,484	38,669
Net Investment Income (Loss)	325,585	294,324	(89,258)	262,995	201,374	(26,973)	102,489
Benefit Payments, Including Refunds	(112,833)	(114,892)	(130,936)	(134,024)	(102,691)	(80,683)	(80,111)
Administrative Expenses	(5,014)	(5,074)	(4,366)	(4,159)	(3,973)	(3,876)	(3,787)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>358,875</u>	<u>306,610</u>	<u>(82,857)</u>	<u>260,533</u>	<u>219,720</u>	<u>7,146</u>	<u>131,770</u>
<i>Plan Fiduciary Net Position - Beginning</i>	<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>	<u>1,605,675</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 2,807,472</u>	<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>	\$ 80,352	\$ 267,445	\$ 351,162	\$ 335,731	\$ 600,972	\$ 779,916	\$ 479,433
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	97.22%	90.15%	85.91%	86.89%	76.57%	69.11%	78.37%
Covered Payroll	\$ 1,234,709	\$ 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	6.51%	24.14%	32.86%	29.33%	55.58%	72.54%	48.06%

**City of New Buffalo**  
**Required Supplementary Information**  
**Schedule of Contributions**  
**Last Seven Fiscal Years (Built Prospectively Upon Implementation of GASB68)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 104,058	\$ 94,909	\$ 97,724	\$ 93,598	\$ 84,229	\$ 78,195	\$ 74,510
Contributions in Relation to the Actuarially Determined Contribution	<u>104,058</u>	<u>94,909</u>	<u>97,724</u>	<u>93,598</u>	<u>84,229</u>	<u>78,195</u>	<u>74,510</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,300,723	\$ 1,186,357	\$ 1,068,529	\$ 1,144,636	\$ 1,081,327	\$ 1,075,161	\$ 997,614
Contributions as a Percentage of Covered Payroll	8.00%	8.00%	9.15%	8.18%	7.79%	7.27%	7.47%

*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 Payroll, Open
Remaining Amortization Period	18 Years
Asset Valuation Method	5 Years; Smoothed
Inflation	2.50%
Salary Increases	3.00% in the Long-Term
Investment Rate of Return	7.35%, Net of Investment Expense, including Inflation
Retirement Age	Experience-Based Tables of Rates that are Specific to the Type of Eligibility Condition
Mortality	Rates Used were Based on the RP-2019 Group Annuity Mortality Table of a 50% Male and 50% Female Blend

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

**City of New Buffalo  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2021**

	<b>Special Revenue</b>				
	<b>Casino</b>	<b>Major Streets</b>	<b>Local Streets</b>	<b>Park Improvement</b>	<b>Dredge</b>
<b>ASSETS</b>					
Cash and Investments	\$ 653,975	\$ 365,996	\$ 343,871	\$ 156,616	\$ 439,737
Accounts Receivable	--	--	--	--	27,071
Due from Other Governmental Units	--	37,588	19,015	--	--
Due from Other Funds	--	--	22,677	--	--
<b>Total Assets</b>	<b>\$ 653,975</b>	<b>\$ 403,584</b>	<b>\$ 385,563</b>	<b>\$ 156,616</b>	<b>\$ 466,808</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ --	\$ 625	\$ 125	\$ --	\$ --
Accrued Liabilities	--	4,064	2,156	--	--
<b>Total Liabilities</b>	<b>--</b>	<b>4,689</b>	<b>2,281</b>	<b>--</b>	<b>--</b>
<b>FUND BALANCE</b>					
Restricted	653,975	398,895	383,282	156,616	--
Assigned	--	--	--	--	466,808
Unassigned	--	--	--	--	--
<b>Total Fund Balance</b>	<b>653,975</b>	<b>398,895</b>	<b>383,282</b>	<b>156,616</b>	<b>466,808</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 653,975</b>	<b>\$ 403,584</b>	<b>\$ 385,563</b>	<b>\$ 156,616</b>	<b>\$ 466,808</b>

**City of New Buffalo  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2021**

	Special Revenue		Debt Service	Capital Projects		Total Nonmajor Governmental Funds
	Drug Law Enforcement	Criminal Justice Training	Debt Service	Equipment Purchase	Capital Improvement Construction	
<b>ASSETS</b>						
Cash and Investments	\$ 121	\$ 1,994	\$ 3,115	\$ 202,677	\$ 65,170	\$ 2,233,272
Accounts Receivable	--	--	--	--	--	27,071
Due from Other Governmental Units	--	--	--	--	--	56,603
Due from Other Funds	--	--	--	--	--	22,677
<b>Total Assets</b>	<b>\$ 121</b>	<b>\$ 1,994</b>	<b>\$ 3,115</b>	<b>\$ 202,677</b>	<b>\$ 65,170</b>	<b>\$ 2,339,623</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ --	\$ --	\$ --	\$ 49,308	\$ 5,050	\$ 55,108
Accrued Liabilities	--	--	--	--	--	6,220
<b>Total Liabilities</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>49,308</b>	<b>5,050</b>	<b>61,328</b>
<b>FUND BALANCE</b>						
Restricted	121	1,994	3,115	--	60,120	1,658,118
Assigned	--	--	--	153,369	--	620,177
Unassigned	--	--	--	--	--	--
<b>Total Fund Balance</b>	<b>121</b>	<b>1,994</b>	<b>3,115</b>	<b>153,369</b>	<b>60,120</b>	<b>2,278,295</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 121</b>	<b>\$ 1,994</b>	<b>\$ 3,115</b>	<b>\$ 202,677</b>	<b>\$ 65,170</b>	<b>\$ 2,339,623</b>

**City of New Buffalo**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2021**

	<b>Special Revenue</b>				
	<b>Casino</b>	<b>Major Streets</b>	<b>Local Streets</b>	<b>Park Improvement</b>	<b>Dredge</b>
<b>Revenues</b>					
Taxes	\$ --	\$ --	\$ --	\$ 112,034	\$ --
State Revenues	--	229,563	127,693	--	--
Contributions from Local Units	220,880	--	--	--	--
Interest and Rents	--	173	162	34	204
Other Revenues	51,000	--	--	--	28,116
<b>Total Revenues</b>	<b>271,880</b>	<b>229,736</b>	<b>127,855</b>	<b>112,068</b>	<b>28,320</b>
<b>Expenditures</b>					
Public Safety	--	--	--	--	--
Public Works	--	150,018	55,504	--	--
Recreation and Culture	69,153	--	--	82,350	--
Capital Outlay	--	--	--	--	--
Debt Service - Principal	--	--	--	--	--
Debt Service - Interest	--	--	--	--	--
<b>Total Expenditures</b>	<b>69,153</b>	<b>150,018</b>	<b>55,504</b>	<b>82,350</b>	<b>--</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>202,727</b>	<b>79,718</b>	<b>72,351</b>	<b>29,718</b>	<b>28,320</b>
<b>Other Financing Sources (Uses)</b>					
Issuance of Capital Lease	--	--	--	--	--
Transfers In	--	--	--	--	36,288
Transfers Out	(40,000)	--	--	(36,288)	--
<b>Net Other Financing Sources (Uses)</b>	<b>(40,000)</b>	<b>--</b>	<b>--</b>	<b>(36,288)</b>	<b>36,288</b>
<b>Net Change in Fund Balance</b>	<b>162,727</b>	<b>79,718</b>	<b>72,351</b>	<b>(6,570)</b>	<b>64,608</b>
<i>Fund Balance at Beginning of Period</i>	491,248	319,177	310,931	163,186	402,200
<b>Fund Balance at End of Period</b>	<b>\$ 653,975</b>	<b>\$ 398,895</b>	<b>\$ 383,282</b>	<b>\$ 156,616</b>	<b>\$ 466,808</b>

**City of New Buffalo**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2021**

	Special Revenue		Debt Service	Capital Projects		Total Nonmajor Governmental Funds
	Drug Law Enforcement	Criminal Justice Training	Debt Service	Equipment Purchase	Capital Improvement Construction	
<b>Revenues</b>						
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 112,034
State Revenues	--	892	--	--	--	358,148
Contributions from Local Units	--	--	--	--	--	220,880
Interest and Rents	--	--	75	36	44	728
Other Revenues	--	--	--	30,441	--	109,557
<b>Total Revenues</b>	<b>--</b>	<b>892</b>	<b>75</b>	<b>30,477</b>	<b>44</b>	<b>801,347</b>
<b>Expenditures</b>						
Public Safety	--	155	--	--	--	155
Public Works	--	--	--	--	46,220	251,742
Recreation and Culture	--	--	--	--	--	151,503
Capital Outlay	--	--	--	76,394	--	76,394
Debt Service - Principal	--	--	240,000	56,463	--	296,463
Debt Service - Interest	--	--	99,300	7,707	--	107,007
<b>Total Expenditures</b>	<b>--</b>	<b>155</b>	<b>339,300</b>	<b>140,564</b>	<b>46,220</b>	<b>883,264</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>--</b>	<b>737</b>	<b>(339,225)</b>	<b>(110,087)</b>	<b>(46,176)</b>	<b>(81,917)</b>
<b>Other Financing Sources (Uses)</b>						
Issuance of Capital Lease	--	--	--	26,439	--	26,439
Transfers In	--	--	339,300	70,000	--	445,588
Transfers Out	--	--	--	--	--	(76,288)
<b>Net Other Financing Sources (Uses)</b>	<b>--</b>	<b>--</b>	<b>339,300</b>	<b>96,439</b>	<b>--</b>	<b>395,739</b>
<b>Net Change in Fund Balance</b>	<b>--</b>	<b>737</b>	<b>75</b>	<b>(13,648)</b>	<b>(46,176)</b>	<b>313,822</b>
<b>Fund Balance at Beginning of Period</b>	<b>121</b>	<b>1,257</b>	<b>3,040</b>	<b>167,017</b>	<b>106,296</b>	<b>1,964,473</b>
<b>Fund Balance at End of Period</b>	<b>\$ 121</b>	<b>\$ 1,994</b>	<b>\$ 3,115</b>	<b>\$ 153,369</b>	<b>\$ 60,120</b>	<b>\$ 2,278,295</b>

November 29, 2021

To the 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, 2021. 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 July 20, 2021. 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. There were no new accounting policies adopted and, except as stated in Note 11 to the financial statements, the application of existing policies was not changed during the fiscal year ended June 30, 2021. 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 useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management’s estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- The assumptions used in the actuarial valuations of the pension benefit plan are based on historical trends and industry standards.

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 November 29, 2021.

### *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 the management's discussion and analysis, budgetary comparison schedules, and pension 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 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 company.

Gabridge & Company, PLC  
Grand Rapids, MI