

**CITY OF NEW BUFFALO**  
**BERRIEN COUNTY, MICHIGAN**  
**FINANCIAL REPORT**  
**June 30, 2015**

**CITY OF NEW BUFFALO  
BERRIEN COUNTY, MICHIGAN**

**FINANCIAL REPORT**

**June 30, 2015**

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# **City of New Buffalo, Michigan**

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

### **June 30, 2015**

The management of the City of New Buffalo, Michigan ("the City") provides this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015 for the benefit of the readers of these financial statements. This management's discussion and analysis ("MD&A") is intended to assist the reader in focusing on significant issues and provide an overview of the City's financial activity. The City encourages the readers to consider the following information here in conjunction with the financial statements taken as a whole, which follow this section.

### **Highlights**

#### **Government-Wide**

The assets of the City exceeded its liabilities at the close of the fiscal year by \$16,538,131 (reported as net position), an increase of \$40,428 from the previous year.

#### **Fund Level**

As of the close of the fiscal year, the City's governmental funds reported combined ending balances of \$3,110,649. Of this the following are restricted \$31,813 for ambulance, \$422,108 for street and highways, \$19,367 for debt service, \$257,553 for city projects and is non-spendable. Also, \$50,100 is committed for playground equipment. The following is assigned; \$1,236,690 for city projects, \$307,487 for special revenues, and \$138,881 for capital projects. At the end of the fiscal year, fund balance for the General Fund was \$674,669, a decrease of \$289,187. The proprietary funds reported an increase in net position of \$269,060 during the year.

#### **Long-Term Debt**

The City's total long-term debt was \$ 3,081,298 at June 30, 2015, a decrease of \$322,735 during the fiscal year. More detailed information regarding these activities and funds begins on page 26.

### **Overview of the Financial Statements**

This MD&A is an introduction to the City's basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

### **Using This Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

**City of New Buffalo, Michigan**  
**Management's Discussion and Analysis**  
**June 30, 2015**

**Financial Analysis of the Government as a Whole**

The City's combined net position increased \$40,428 over the course of this fiscal year's operations to a total of \$16,538,131. The net position of the governmental activities decreased \$228,632 and business-type activities increased \$269,060. The above amounts are based upon the net positions as presented by Gerbel & Company.

**Net Position as of June 30, 2014 and 2015**

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
<b>Assets</b>						
Current and other noncurrent assets	\$ 3,085,868	\$ 3,336,836	\$ 3,641,216	\$ 4,065,854	\$ 6,727,084	\$ 7,402,690
Capital assets	<u>6,367,540</u>	<u>6,001,135</u>	<u>7,142,926</u>	<u>7,026,929</u>	<u>13,510,466</u>	<u>13,028,064</u>
Total Assets	<u>\$ 9,453,408</u>	<u>\$ 9,337,971</u>	<u>\$ 10,784,142</u>	<u>\$ 11,092,783</u>	<u>\$ 20,237,550</u>	<u>\$ 20,430,754</u>
Deferred Outflow of Resources	\$ -	\$ 50,513	\$ 59,346	\$ 67,695	\$ 59,346	\$ 118,208
<b>Liabilities</b>						
Long-term liabilities	\$ 617,301	\$ 786,714	\$ 2,482,271	\$ 2,445,242	\$ 3,099,572	\$ 3,231,956
Other liabilities	<u>466,569</u>	<u>460,864</u>	<u>233,052</u>	<u>318,011</u>	<u>699,621</u>	<u>778,875</u>
Total Liabilities	<u>\$ 1,083,870</u>	<u>\$ 1,247,578</u>	<u>\$ 2,715,323</u>	<u>\$ 2,763,253</u>	<u>\$ 3,799,193</u>	<u>\$ 4,010,831</u>
<b>Net Position</b>						
Net investment in capital assets	\$ 5,592,540	\$ 5,436,135	\$ 3,567,471	\$ 3,499,072	\$ 9,160,011	\$ 8,935,207
Restricted	573,454	730,841	789,773	807,175	1,363,227	\$ 1,538,016
Unrestricted	<u>2,203,544</u>	<u>1,973,930</u>	<u>3,770,921</u>	<u>4,090,978</u>	<u>5,974,465</u>	<u>6,064,908</u>
Total Net Position	<u>\$ 8,369,538</u>	<u>\$ 8,140,906</u>	<u>\$ 8,128,165</u>	<u>\$ 8,397,225</u>	<u>\$ 16,497,703</u>	<u>\$ 16,538,131</u>

The largest component of the City's net position reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Unrestricted net position is the next largest component. This represents resources that may be used at the City's discretion, but often have limitations based upon policy action. The remaining portion, restricted net position, is subject to external restrictions such as bond covenants, City Charter, State legislation or Constitutional provision.

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**Management's Discussion and Analysis**  
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The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City's net position changed during the fiscal year.

**Change in Net Position for the Fiscal Year Ended June 30, 2014 and 2015**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
<b>Revenues</b>						
Program Revenues:						
Changes for services	\$ 817,780	\$ 783,384	\$ 1,825,837	\$ 1,844,825	\$ 2,643,617	\$ 2,628,209
Operating grants	488,228	129,838	-	82,012	488,228	211,850
Capital grants	-	-	-	-	-	-
General Revenues:						
Taxes	2,250,240	2,288,596	-	-	2,250,240	2,288,596
State shared revenue	159,116	378,197	-	-	159,116	378,197
Unrestricted investment earnings	4,898	7,190	-	-	4,898	7,190
Special items	702,258	-	-	-	702,258	-
Other	9,961	429,288	(69,333)	54,859	(59,372)	484,147
<b>Total Revenues</b>	<b>\$ 4,432,481</b>	<b>\$ 4,016,493</b>	<b>\$ 1,756,504</b>	<b>\$ 1,981,696</b>	<b>\$ 6,188,985</b>	<b>\$ 5,998,189</b>
<b>Expenses</b>						
General government	\$ 677,805	\$ 923,812	\$ -	\$ -	\$ 677,805	\$ 923,812
Public safety	1,170,207	1,217,747	-	-	1,170,207	1,217,747
Public works	905,807	915,808	-	-	905,807	915,808
Recreation and culture	574,000	561,052	-	-	574,000	561,052
Other	232,669	257,170	-	-	232,669	257,170
Interest on long-term debt	62,248	30,819	-	-	62,248	30,819
Sewer	-	-	641,851	719,493	641,851	719,493
Water	-	-	955,216	910,583	955,216	910,583
<b>Total Expenses</b>	<b>\$ 3,622,736</b>	<b>\$ 3,906,408</b>	<b>\$ 1,597,067</b>	<b>\$ 1,630,076</b>	<b>\$ 5,219,803</b>	<b>\$ 5,536,484</b>
Increase (decrease) in net position	\$ 809,745	\$ 110,085	\$ 159,437	\$ 351,620	\$ 969,182	\$ 461,705
Prior period adjustment	(95,047)	(338,717)	-	(82,560)	(95,047)	(421,277)
Beginning net position	<u>7,654,840</u>	<u>8,369,538</u>	<u>7,968,728</u>	<u>8,128,165</u>	<u>15,623,568</u>	<u>16,497,703</u>
Ending net position	<u>\$ 8,369,538</u>	<u>\$ 8,140,906</u>	<u>\$ 8,128,165</u>	<u>\$ 8,397,225</u>	<u>\$ 16,497,703</u>	<u>\$ 16,538,131</u>

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Property taxes comprise 74% of Governmental Activities revenue. The City's millage during the fiscal year was 10.4823 mills. A special parks and recreation levy was 0.4634 mills, for a total City-wide tax levy of 10.9457. In accordance with Charter and State Constitutional provisions, the City may levy up to 20 mills for operation in fiscal year 2014-15. However, any increase above the current millage is constrained by the truth in taxation requirements and the Headlee amendment. Accordingly, a referendum would be required to increase the levy amount.

The City has no income tax.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. Fiscal year 2014-15 receipts from the State of Michigan trended upward.

**Business-Type Activities**

Net position of the business-type activities increased by \$269,060 during the fiscal year. The Sewer Fund net position increased by \$211,136. The Water Fund net position increased by \$57,924.

**Financial Analysis of the City's Funds**

As the City completed the fiscal year, its governmental funds reported fund balances of \$3,110,649. Of this total amount, \$601,025 constitutes unassigned fund balances. The reader is reminded that the financial condition of each fund must be reviewed along with the appropriate reserves to have on hand for emergencies and contingencies before concluding that any amounts are generally available for appropriation. The remainder of fund balance is reserved and is not available for new spending because it has been reserved for debt service and special projects.

**General Fund**

The General Fund is the chief operating fund of the City. At the end of fiscal year 2014-15 the General Fund balance was \$674,669. Of this amount, \$31,813 was restricted for ambulance, and \$41,831 was non-spendable for prepaid items. The fund balance decreased by \$289,187 over the previous fiscal year.

**General Fund Budgetary Highlights**

The General Fund balance decreased by \$289,187 over the previous fiscal year due mainly to unforeseen legal expenses not included in the original budget.

Property tax revenue increased \$38,356 or 1.7% in fiscal year 2014-15. This is attributed mainly to taxable value changes due to property assessment when properties sell, the change in CPI, as well as new construction.



**City of New Buffalo, Michigan**  
**Management's Discussion and Analysis**  
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**Capital Assets and Debt Retirement**

**Capital Assets** - At the end of the fiscal year 2014-15, the City had invested \$10,810,131, net of accumulated depreciation, in a broad range of capital assets (see below). Total depreciation charges for this fiscal year were \$686,226.

**Capital Assets as of June 30, 2014 and 2015**  
**(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>Primary Government</u>	<u>2015</u>
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
Land	\$ 271,194	\$ 277,994	\$ 20,500	\$ 20,500	\$ 291,694	\$ 298,494
Land improvements	2,073,350	1,945,332	-	-	2,073,350	1,945,332
Infrastructure	750,863	1,182,822	-	-	750,863	1,182,822
Buildings & improvements	1,569,124	1,494,155	4,843,726	4,660,767	6,412,850	6,154,922
Machinery & equipment	962,259	816,619	78,169	77,043	1,040,428	893,662
Construction in progress	<u>740,750</u>	<u>284,213</u>	<u>-</u>	<u>50,686</u>	<u>740,750</u>	<u>334,899</u>
Total	<u>\$ 6,367,540</u>	<u>\$ 6,001,135</u>	<u>\$ 4,942,395</u>	<u>\$ 4,808,996</u>	<u>\$ 11,309,935</u>	<u>\$ 10,810,131</u>

**Long-term Debt** - The City, along with the New Buffalo Building Authority (NBBA), a blended component unit of the City, are empowered by law to authorize, issue, and sell debt obligations. Limited tax and unlimited tax general obligation bonds are backed by the full faith and credit of the City. The City also can issue revenue dedicated bonded debt, whose payment for principal and interest comes solely out of funds that receive legally restricted revenues. NBBA's bonds financed the construction of the City Hall. Rents paid by the City fund the debt service requirements for related improvements, but they are also backed by a limited tax pledge. More detailed information regarding the City's long-term obligations is presented in Note 7 of the financial statements.

**Long Term Debt as of June 30, 2014 and 2015**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>Primary Government</u>	<u>2015</u>
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
General obligation bonds (backed by the City)	\$ 775,000	\$ 565,000	\$ 1,153,115	\$ 1,088,507	\$ 1,928,115	\$ 1,653,507
Capital lease	-	-	1,374,924	1,309,924	1,374,924	1,309,924
Compensated absences	<u>65,376</u>	<u>70,310</u>	<u>35,618</u>	<u>47,557</u>	<u>100,994</u>	<u>117,867</u>
Total	<u>\$ 840,376</u>	<u>\$ 635,310</u>	<u>\$ 2,563,657</u>	<u>\$ 2,445,988</u>	<u>\$ 3,404,033</u>	<u>\$ 3,081,298</u>

**City of New Buffalo, Michigan**  
**Management's Discussion and Analysis**  
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**Economic Condition and Outlook**

The current economic condition of the City of New Buffalo is stable, recognizing that local growth has moderated due to the influence of regional and national economic trends. The City is committed to containing expenditures within the constraints of the current economic environment.

The economic outlook for the City is positive. The City will experience many positive changes in the coming years as South Whittaker Street repaving was completed and planning will begin for the North Whittaker Street and Lighthouse Creek improvements. Although future of state revenue sharing remains uncertain, tax revenue represents the most significant portion of the City's revenue and tax values will change very little in the near future. Therefore, it is important that the City continue to control regular operating costs and limit special projects.

The City has developed a list of priorities and will schedule capital and infrastructure projects accordingly. Priorities include a Complete Streets Program with a City-wide street assessment and improvements plan. The City will also be conducting an assessment and strategy for sewer/wastewater repair and replacement from a report developed under the Storm Water, Asset Management and Wastewater (SAW) grant project. The Four Winds Casino completed its eighth year of operation. The City will be receiving ongoing distributions from the PNBALRSB that may be used for major projects. The City continues to seek alternative funding sources and apply for available grants for capital projects as well.

**Contacting the City Finance Department**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Treasurer at (269) 469-1500.



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November 13, 2015

## INDEPENDENT AUDITOR'S REPORT

To the City Commission  
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, each major fund, and the aggregate remaining fund information of the City of New Buffalo, Michigan, as of and for the year ended June 30, 2015, 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 joint venture, GRSD Sewer Authority, which represents 58%, 30%, and 29%, respectively, of the assets, net position, and income of the Sewer Fund. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the GRSD Sewer Authority, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## INDEPENDENT AUDITOR'S REPORT - Continued

### 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, each major fund, and the aggregate remaining fund information of the City of New Buffalo, Michigan, as of June 30, 2015, 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 discussed in Note 8 to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinion is 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, pension defined benefit information, and budgetary comparison information on pages I through VI and 37 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

The combining and individual nonmajor fund financial statements and debt schedules 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 not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015, on our consideration of the City of New Buffalo, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of New Buffalo, Michigan's internal control over financial reporting and compliance.

*Beckel & Company, P.C.*

**CITY OF NEW BUFFALO**  
**Statement of Net Position**  
**June 30, 2015**

	<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
<b>Assets</b>				
Cash	\$ 3,115,495	\$ 3,817,093	\$ 6,932,588	\$ 5,923
Due from fiduciary funds	4,387	-	4,387	-
Due from component unit	23	-	23	-
Due from other governmental units	117,103	-	117,103	-
Receivables	54,203	238,335	292,538	-
Prepaid expenses	45,625	9,676	55,301	-
Inventory	-	750	750	-
Capital assets - NOTE 4:				
Nondepreciable assets	562,207	71,186	633,393	-
Depreciable assets (net of related depreciation)	5,438,928	4,737,810	10,176,738	-
Investment in joint venture	-	2,217,933	2,217,933	-
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total Assets	<u>\$ 9,337,971</u>	<u>\$ 11,092,783</u>	<u>\$ 20,430,754</u>	<u>\$ 5,923</u>
<b>Deferred Outflow of Resources</b>				
Deferred loss on bond refunding	\$ -	\$ 55,345	\$ 55,345	\$ -
Pension	50,513	12,350	62,863	-
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total Deferred Outflow of Resources	<u>\$ 50,513</u>	<u>\$ 67,695</u>	<u>\$ 118,208</u>	<u>\$ -</u>
<b>Liabilities</b>				
Current:				
Accounts payable	\$ 181,841	\$ 144,702	\$ 326,543	\$ -
Accrued liabilities	37,130	23,251	60,381	-
Accrued interest	7,831	-	7,831	-
Due to governmental units	-	-	-	23
Compensated absences	14,062	9,511	23,573	-
Bond payable	220,000	70,547	290,547	-
Lease payable	-	70,000	70,000	-
Noncurrent Liabilities:				
Compensated absences	56,248	38,046	94,294	-
Bonds payable	345,000	1,073,305	1,418,305	-
Lease payable	-	1,239,924	1,239,924	-
Net pension liability	385,466	93,967	479,433	-
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
Total Liabilities	<u>\$ 1,247,578</u>	<u>\$ 2,763,253</u>	<u>\$ 4,010,831</u>	<u>\$ 23</u>
<b>Net Position</b>				
Net Investment in Capital Assets	\$ 5,436,135	\$ 3,499,072	\$ 8,935,207	\$ -
Restricted:				
Ambulance	31,813	-	31,813	-
Streets and highways	422,108	-	422,108	-
Debt service	19,367	-	19,367	-
City projects	257,553	-	257,553	-
Joint venture	-	807,175	807,175	-
Unrestricted	1,973,930	4,090,978	6,064,908	5,900
	<u>                  </u>	<u>                  </u>	<u>                  </u>	<u>                  </u>
TOTAL NET POSITION	<u>\$ 8,140,906</u>	<u>\$ 8,397,225</u>	<u>\$ 16,538,131</u>	<u>\$ 5,900</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF NEW BUFFALO**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Primary government:</b>								
Governmental Activities:								
General government	\$ 923,812	\$ 156,102	\$ 50,827	\$ -	\$ (716,883)	\$ -	\$ (716,883)	\$ -
Public safety	1,217,747	78,488	79,011	-	(1,060,248)	-	(1,060,248)	-
Public works	915,808	224,251	-	-	(691,557)	-	(691,557)	-
Health and welfare	101,948	-	-	-	(101,948)	-	(101,948)	-
Community and economic development	5,969	-	-	-	(5,969)	-	(5,969)	-
Recreation and culture	561,052	324,543	-	-	(236,509)	-	(236,509)	-
Other	149,253	-	-	-	(149,253)	-	(149,253)	-
Interest on long-term debt	30,819	-	-	-	(30,819)	-	(30,819)	-
<b>Total Governmental Activities</b>	<b>\$ 3,906,408</b>	<b>\$ 783,384</b>	<b>\$ 129,838</b>	<b>\$ -</b>	<b>\$ (2,993,186)</b>	<b>\$ -</b>	<b>\$ (2,993,186)</b>	<b>\$ -</b>
Business-Type Activities:								
Sewer Fund	\$ 719,493	\$ 818,780	\$ 82,012	\$ -	\$ -	\$ 181,299	\$ 181,299	\$ -
Water Fund	910,583	1,026,045	-	-	-	115,462	115,462	-
<b>Total Business-Type Activities</b>	<b>\$ 1,630,076</b>	<b>\$ 1,844,825</b>	<b>\$ 82,012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 296,761</b>	<b>\$ 296,761</b>	<b>\$ -</b>
<b>Total Primary Government</b>	<b>\$ 5,536,484</b>	<b>\$ 2,628,209</b>	<b>\$ 211,850</b>	<b>\$ -</b>	<b>\$ (2,993,186)</b>	<b>\$ 296,761</b>	<b>\$ (2,696,425)</b>	<b>\$ -</b>
<b>Component Units:</b>								
Downtown Development Authority	\$ 4,523	\$ -	\$ 3,750	\$ -	\$ -	\$ -	\$ -	\$ (773)
<b>General Revenues:</b>								
Property taxes				\$ 2,288,596	\$ -	\$ 2,288,596	\$ 6,671	
State revenue sharing				378,197	-	378,197	-	
Loss from joint venture				-	17,402	17,402	-	
Interest				7,190	8,782	15,972	2	
Other revenue				429,288	28,675	457,963	-	
<b>Total General Revenues</b>				<b>\$ 3,103,271</b>	<b>\$ 54,859</b>	<b>\$ 3,158,130</b>	<b>\$ 6,673</b>	
<b>Change in Net Position</b>				<b>\$ 110,085</b>	<b>\$ 351,620</b>	<b>\$ 461,705</b>	<b>\$ 5,900</b>	
Net Position - Beginning of Year				\$ 8,369,538	\$ 8,128,165	\$ 16,497,703	\$ -	
Prior period adjustment - NOTE 17				(338,717)	(82,560)	(421,277)	-	
<b>Adjusted Net Position - Beginning of Year</b>				<b>\$ 8,030,821</b>	<b>\$ 8,045,605</b>	<b>\$ 16,076,426</b>	<b>\$ -</b>	
<b>NET POSITION - END OF YEAR</b>				<b>\$ 8,140,906</b>	<b>\$ 8,397,225</b>	<b>\$ 16,538,131</b>	<b>\$ 5,900</b>	

The accompanying notes are an integral part of these financial statements.

**CITY OF NEW BUFFALO  
GOVERNMENTAL FUNDS  
Balance Sheet  
June 30, 2015**

	<u>General Fund</u>	<u>Casino Fund</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Park Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>							
Cash and cash equivalents	\$ 644,307	\$ 1,343,141	\$ 280,123	\$ 105,753	\$ 86,446	\$ 655,725	\$ 3,115,495
Receivables:							
Accounts receivable	46,857	-	-	-	130	-	46,987
Taxes receivable	7,102	-	-	-	-	114	7,216
Due from other governmental units	53,504	20,622	23,504	19,473	-	-	117,103
Due from other funds	4,785	-	-	-	-	-	4,785
Prepaid expenses	41,831	-	-	-	3,794	-	45,625
<b>TOTAL ASSETS</b>	<u>\$ 798,386</u>	<u>\$ 1,363,763</u>	<u>\$ 303,627</u>	<u>\$ 125,226</u>	<u>\$ 90,370</u>	<u>\$ 655,839</u>	<u>\$ 3,337,211</u>
<b>Liabilities, Deferred Inflow of Resources, and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 91,211	\$ 65,175	\$ 3,528	\$ 2,567	\$ 11,860	\$ 7,500	\$ 181,841
Accrued liabilities	25,404	-	352	298	11,076	-	37,130
Due to other funds	-	-	-	-	-	375	375
<b>Total Liabilities</b>	<u>\$ 116,615</u>	<u>\$ 65,175</u>	<u>\$ 3,880</u>	<u>\$ 2,865</u>	<u>\$ 22,936</u>	<u>\$ 7,875</u>	<u>\$ 219,346</u>
Deferred Inflow of Resources							
Unavailable revenue - property taxes	\$ 7,102	-	-	-	-	114	7,216
Fund Balances:							
Nonspendable:							
Prepaid expenses	\$ 41,831	-	-	-	3,794	-	45,625
Restricted for:							
Ambulance	31,813	-	-	-	-	-	31,813
Streets and highways	-	-	299,747	122,361	-	-	422,108
Debt service	-	-	-	-	-	19,367	19,367
City projects	-	61,898	-	-	-	195,655	257,553
Committed for:							
Playground equipment	-	-	-	-	50,100	-	50,100
Assigned for:							
City projects	-	1,236,690	-	-	-	-	1,236,690
Special revenue	-	-	-	-	13,540	293,947	307,487
Capital projects	-	-	-	-	-	138,881	138,881
Unassigned:							
General fund	601,025	-	-	-	-	-	601,025
<b>Total Fund Balances</b>	<u>\$ 674,669</u>	<u>\$ 1,298,588</u>	<u>\$ 299,747</u>	<u>\$ 122,361</u>	<u>\$ 67,434</u>	<u>\$ 647,850</u>	<u>\$ 3,110,649</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 798,386</u>	<u>\$ 1,363,763</u>	<u>\$ 303,627</u>	<u>\$ 125,226</u>	<u>\$ 90,370</u>	<u>\$ 655,839</u>	<u>\$ 3,337,211</u>

**CITY OF NEW BUFFALO**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2015**

Fund balances of governmental funds	\$	3,110,649
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:		
Accounts payable and receivable that are not received or paid within 60 days are not reported in the funds.		7,216
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		6,001,135
Compensated absences are not due and payable in the current period and are not reported in the funds.		(70,310)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.		
Bonds payable, including unamortized premium/discount		(565,000)
Net pension liability		(385,466)
Pension deferred outflow of resources are not financial resources, and are not reported in the funds.		50,513
Governmental funds do not report accrued interest.		<u>(7,831)</u>
Net position of governmental activities	\$	<u>8,140,906</u>



**CITY OF NEW BUFFALO  
GOVERNMENTAL FUNDS  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
For the Year Ended June 30, 2015**

	<b>General Fund</b>	<b>Casino Fund</b>	<b>Major Street</b>	<b>Local Street</b>	<b>Park Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>							
Taxes	\$ 2,189,336	\$ -	\$ -	\$ -	\$ -	\$ 96,882	\$ 2,286,218
Licenses and permits	69,446	-	-	-	-	-	69,446
State revenues	161,743	-	131,914	82,783	-	1,757	378,197
Contributions from local units	-	337,056	-	-	-	9,926	346,982
Charges for services	388,630	-	-	-	324,543	-	713,173
Fines, fees, and forfeits	765	-	-	-	-	-	765
Interest and rents	3,080	3,126	272	98	68	546	7,190
Other	64,667	119,912	-	4,260	6,483	39,356	234,678
	<u>\$ 2,877,667</u>	<u>\$ 460,094</u>	<u>\$ 132,186</u>	<u>\$ 87,141</u>	<u>\$ 331,094</u>	<u>\$ 148,467</u>	<u>\$ 4,036,649</u>
Total Revenues							
<b>Expenditures:</b>							
General government	\$ 754,424	\$ 8,766	\$ -	\$ -	\$ -	\$ -	\$ 763,190
Public safety	1,084,346	-	-	-	-	1,765	1,086,111
Public works	642,204	-	81,025	55,063	-	-	778,292
Health and welfare	101,948	-	-	-	-	-	101,948
Community and economic development	5,969	-	-	-	-	-	5,969
Recreation and culture	-	-	-	-	411,028	14,650	425,678
Other	149,253	-	-	-	-	-	149,253
Capital outlay:							
Capital outlay-other	-	114,755	-	-	-	105,350	220,105
Debt service:							
Principal retirement	-	-	-	-	-	210,000	210,000
Interest and fiscal charges	-	-	-	-	-	34,421	34,421
	<u>\$ 2,738,144</u>	<u>\$ 123,521</u>	<u>\$ 81,025</u>	<u>\$ 55,063</u>	<u>\$ 411,028</u>	<u>\$ 366,186</u>	<u>\$ 3,774,967</u>
Total Expenditures							
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 139,523</u>	<u>\$ 336,573</u>	<u>\$ 51,161</u>	<u>\$ 32,078</u>	<u>\$ (79,934)</u>	<u>\$ (217,719)</u>	<u>\$ 261,682</u>
<b>Other Financing Sources (Uses):</b>							
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ 125,000	\$ 389,371	\$ 514,371
Transfers out	(428,710)	(50,473)	-	-	(35,188)	-	(514,371)
	<u>\$ (428,710)</u>	<u>\$ (50,473)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,812</u>	<u>\$ 389,371</u>	<u>\$ -</u>
Total Other Financing Sources (Uses)							
Net Changes in Fund Balance	\$ (289,187)	\$ 286,100	\$ 51,161	\$ 32,078	\$ 9,878	\$ 171,652	\$ 261,682
Fund Balances - Beginning of Year	<u>963,856</u>	<u>1,012,488</u>	<u>248,586</u>	<u>90,283</u>	<u>57,556</u>	<u>476,198</u>	<u>2,848,967</u>
FUND BALANCES - END OF YEAR	<u>\$ 674,669</u>	<u>\$ 1,298,588</u>	<u>\$ 299,747</u>	<u>\$ 122,361</u>	<u>\$ 67,434</u>	<u>\$ 647,850</u>	<u>\$ 3,110,649</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF NEW BUFFALO**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Year Ended June 30, 2015**

Net change in fund balances - total governmental funds \$ 261,682

Amounts reported for *governmental activities* in the statement of activities are different because:

Accounts payable and receivable that are not received or paid within 60 days are not reported in the funds.

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 and reported as depreciation expense.

Capital outlay	\$ 125,361	
Depreciation expense	<u>(491,766)</u>	(366,405)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. 2,378

Governmental funds report repayment of principal on long-term liabilities as expenditures; however, they are reported as a reduction of the liability in the statement of net position and have no effect on the statement of activities. 210,000

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid. 3,600

Increase in the liability for compensated absences is not reported in governmental funds. (4,934)

Change in net pension liability and deferred inflow and outflow of resources related to the pension plan. 3,764

Changes in net position of governmental activities \$ 110,085

**CITY OF NEW BUFFALO  
 PROPRIETARY FUNDS  
 Statement of Net Position  
 June 30, 2015**

	Business-Type Activities				Business-Type Activities		
	Sewer Fund	Water Fund	Total		Sewer Fund	Water Fund	Total
<b>Assets</b>				<b>Liabilities</b>			
Current Assets:				Current Liabilities:			
Cash and cash equivalents	\$ 980,155	\$ 2,836,938	\$ 3,817,093	Accounts payable	\$ 65,571	\$ 79,131	\$ 144,702
Receivables	118,096	120,239	238,335	Accrued liabilities	6,597	16,654	23,251
Inventory	-	750	750	Lease payable - current portion	-	70,000	70,000
Prepaid expenses	<u>639</u>	<u>9,037</u>	<u>9,676</u>	Bond payable - current portion	70,547	-	70,547
				Compensated absences - current portion	<u>-</u>	<u>9,511</u>	<u>9,511</u>
Total Current Assets	<u>\$ 1,098,890</u>	<u>\$ 2,966,964</u>	<u>\$ 4,065,854</u>	Total Current Liabilities	<u>\$ 142,715</u>	<u>\$ 175,296</u>	<u>\$ 318,011</u>
Noncurrent Assets:				Noncurrent Liabilities:			
Capital Assets:				Lease payable	\$ -	\$ 1,239,924	\$ 1,239,924
Nondepreciable	\$ 3,500	\$ 67,686	\$ 71,186	Bond payable	1,073,305	-	1,073,305
Depreciable, net of accumulated depreciation	<u>516,777</u>	<u>4,221,033</u>	<u>4,737,810</u>	Compensated absences	-	38,046	38,046
Total Fixed Assets	<u>\$ 520,277</u>	<u>\$ 4,288,719</u>	<u>\$ 4,808,996</u>	Net pension liability	<u>-</u>	<u>93,967</u>	<u>93,967</u>
Investment in joint venture	<u>2,217,933</u>	<u>-</u>	<u>2,217,933</u>	Total Noncurrent Liabilities	<u>\$ 1,073,305</u>	<u>\$ 1,371,937</u>	<u>\$ 2,445,242</u>
Total Noncurrent Assets	<u>\$ 2,738,210</u>	<u>\$ 4,288,719</u>	<u>\$ 7,026,929</u>	Total Liabilities	<u>\$ 1,216,020</u>	<u>\$ 1,547,233</u>	<u>\$ 2,763,253</u>
Total Assets	<u>\$ 3,837,100</u>	<u>\$ 7,255,683</u>	<u>\$ 11,092,783</u>	<b>Net Position</b>			
<b>Deferred Outflows of Resources</b>				Net investment in capital assets	\$ 520,277	\$ 2,978,795	\$ 3,499,072
Deferred loss on bond refunding	\$ 55,345	-	\$ 55,345	Restricted for:			
Pension	<u>-</u>	<u>12,350</u>	<u>12,350</u>	Joint venture - nonexpendable	807,175	-	807,175
Total Deferred Outflow of Resources	<u>\$ 55,345</u>	<u>\$ 12,350</u>	<u>\$ 67,695</u>	Unrestricted	<u>1,348,973</u>	<u>2,742,005</u>	<u>4,090,978</u>
				Total Net Position	<u>\$ 2,676,425</u>	<u>\$ 5,720,800</u>	<u>\$ 8,397,225</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF NEW BUFFALO  
 PROPRIETARY FUNDS  
 Statement of Revenues, Expenses, and  
 Changes in Net Position  
 For the Year Ended June 30, 2015**

	<b>Business-Type Activities</b>		
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>			
State grant	\$ 82,012	\$ -	\$ 82,012
Charges for services	818,780	1,026,045	1,844,825
Other	<u>11,552</u>	<u>17,123</u>	<u>28,675</u>
 Total Operating Revenues	 <u>\$ 912,344</u>	 <u>\$ 1,043,168</u>	 <u>\$ 1,955,512</u>
 <b>Operating Expenses:</b>			
Personal services	\$ 62,865	\$ 429,111	\$ 491,976
Supplies	1,906	83,088	84,994
Contractual services	559,315	77,539	636,854
Utilities	-	46,902	46,902
Repairs and maintenance	21,353	38,053	59,406
Other services and charges	7,692	41,677	49,369
Depreciation	<u>33,808</u>	<u>160,652</u>	<u>194,460</u>
 Total Operating Expenses	 <u>\$ 686,939</u>	 <u>\$ 877,022</u>	 <u>\$ 1,563,961</u>
 Operating Income	 <u>\$ 225,405</u>	 <u>\$ 166,146</u>	 <u>\$ 391,551</u>
 <b>Nonoperating Revenues (Expenses):</b>			
Income from joint venture	\$ 17,402	\$ -	\$ 17,402
Interest income	883	7,899	8,782
Interest expense	<u>(32,554)</u>	<u>(33,561)</u>	<u>(66,115)</u>
 Total Nonoperating Revenues (Expenses)	 <u>\$ (14,269)</u>	 <u>\$ (25,662)</u>	 <u>\$ (39,931)</u>
 Change in Net Position	 <u>\$ 211,136</u>	 <u>\$ 140,484</u>	 <u>\$ 351,620</u>
 Total Net Position - Beginning of Year	 <u>\$ 2,465,289</u>	 <u>\$ 5,662,876</u>	 <u>\$ 8,128,165</u>
 Prior period adjustment - NOTE 17	 <u>-</u>	 <u>(82,560)</u>	 <u>(82,560)</u>
 Adjusted Net Position - Beginning of Year	 <u>\$ 2,465,289</u>	 <u>\$ 5,580,316</u>	 <u>\$ 8,045,605</u>
 TOTAL NET POSITION - END OF YEAR	 <u>\$ 2,676,425</u>	 <u>\$ 5,720,800</u>	 <u>\$ 8,397,225</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF NEW BUFFALO  
 PROPRIETARY FUNDS  
 Combining Statement of Cash Flows  
 For the Year Ended June 30, 2015**

**Business-Type Activities**

	<b><u>Sewer Fund</u></b>	<b><u>Water Fund</u></b>
<b>Cash Flows From Operating Activities:</b>		
Cash receipts from customers	\$ 826,208	\$ 1,033,494
Other receipts	93,564	17,123
Payments to employees	(62,110)	(415,400)
Payments to suppliers	<u>(576,700)</u>	<u>(229,634)</u>
Net cash provided by operating activities	<u>\$ 280,962</u>	<u>\$ 405,583</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Purchase of capital assets	\$ -	\$ (61,061)
Principal paid on capital lease	-	(65,000)
Principal paid on contract payable	(63,954)	-
Interest paid on debt	<u>(33,208)</u>	<u>(33,561)</u>
Net cash used by capital and related financing activities	<u>\$ (97,162)</u>	<u>\$ (159,622)</u>
<b>Cash Flows From Investing Activities:</b>		
Interest and dividends received	<u>883</u>	<u>7,899</u>
Net cash provided by investing activities	<u>\$ 883</u>	<u>\$ 7,899</u>
Net change in cash and cash equivalents	\$ 184,683	\$ 253,860
Balances - Beginning of Year	<u>795,472</u>	<u>2,583,078</u>
<b>BALANCES - END OF YEAR</b>	<u><u>\$ 980,155</u></u>	<u><u>\$ 2,836,938</u></u>

**CITY OF NEW BUFFALO  
 PROPRIETARY FUNDS  
 Combining Statement of Cash Flows - Continued  
 For the Year Ended June 30, 2015**

	<u>Business-Type Activities</u>	
	<u>Sewer Fund</u>	<u>Water Fund</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ <u>225,405</u>	\$ <u>166,146</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	\$ 33,808	\$ 160,652
(Increase) decrease in:		
Receivables	7,428	7,449
Prepaid expenses	61	(1,033)
Pension deferred outflow	-	(5,494)
Increase (decrease) in:		
Accounts payable	13,505	58,658
Accrued liabilities	755	2,715
Net pension liability	-	4,551
Compensated absences	-	11,939
	<u>          </u>	<u>          </u>
Total Adjustments	\$ <u>55,557</u>	\$ <u>239,437</u>
Net cash provided by operating activities	\$ <u><u>280,962</u></u>	\$ <u><u>405,583</u></u>

**CITY OF NEW BUFFALO  
FIDUCIARY FUNDS  
Statement of Net Position  
June 30, 2015**

	<b><u>Agency Funds</u></b>
<b>Assets</b>	
Cash and cash equivalents	\$ <u>8,606</u>
TOTAL ASSETS	\$ <u><u>8,606</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 4,219
Due to other funds	<u>4,387</u>
TOTAL LIABILITIES	\$ <u><u>8,606</u></u>

**CITY OF NEW BUFFALO**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of New Buffalo adopted its city charter on October 18, 1965 and operates under a council-manager form of government. Services provided for its citizens include: public safety (fire and police), water-sewer services, highways and streets, rubbish and trash disposal, planning and zoning, public improvements, culture, recreation and general administrative services.

The accounting methods and procedures adopted by City of New Buffalo, Michigan, conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government accounting policies are described below:

**A. Reporting Entity**

The City of New Buffalo is governed by an elected five member Council. As required by generally accepted accounting principals (GAAP), these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. A component unit is included in the City's reporting entity if it is both fiscally dependent on the City (the primary government) and there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City's discretely presented and blended component units are as follows:

*Discretely presented component unit:*

**City of New Buffalo Downtown Development Authority:**

The City of New Buffalo Downtown Development Authority (DDA) Board is comprised of nine (9) members. The DDA is responsible for the creation of a development and financing plan for the downtown district or a development area within the district to promote economic growth. The DDA, which has a year ended June 30, is disclosed as a discretely presented component unit because the City appoints the governing body, approves the budget, and any surplus funds existing at termination of the DDA vest to the City. Separate financial statements have not been issued as management believes that these financial statements, including note disclosures, contain complete information so as to constitute fair presentation.

*Blended Component Unit*

**City of New Buffalo Building Authority:**

The City of New Buffalo Building Authority is governed by a three (3) member board appointed by the City Council. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings.



**CITY OF NEW BUFFALO**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B. 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 nonfiduciary activities of the primary government of the City of New Buffalo and its component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. The primary government of the City of New Buffalo is reported separately from the legally separate component unit for which the City of New Buffalo, the primary government, is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions 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 revenues are reported instead as general revenues.

**Fund Statements** - 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 funds and major individual enterprise funds are reported in separate columns on the fund financial statements.

**Fund Balance and Net Position Reporting**

In the government-wide and proprietary financial statements, net position is classified as follows:

**Net Investment in Capital Assets** - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increase by balances of deferred outflows of resources to those assets.

**Restricted Net Position** - Net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the City's bonds. Restricted net position is reduced by liabilities and deferred inflows of resources related to restricted assets.

**Unrestricted Net Position** - consists of all other net position that does not meet the definition of the above two components and is available for general use by the City.

In the governmental fund financial statements, fund balances are classified as follows:

**Nonspendable Fund Balance** - The nonspendable fund balance category represents amounts that are not in a spendable form or are required to be maintained intact.

**Restricted Fund Balance** - The restricted fund balance category represents amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.

**Committed Fund Balance** - The committed fund balance category represents amounts constrained to specific purposes by the Commission; to be reported as committed, amounts cannot be used for any other purpose unless the Commission takes action to remove or change the constraint.

**Assigned Fund Balance** - The assigned fund balance category represents amounts the Commission intends to use for a specific purpose; intent can be expressed by the Commission or by an official or committee to which the Commission delegates the authority.

**CITY OF NEW BUFFALO**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**B. Government-Wide and Fund Financial Statements - Continued**

**Unassigned Fund Balance** - The unassigned fund balance category represents amounts that are available for any purpose; these amounts are reported only in the general fund.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**C. Measurement Focus, Basis of Accounting, and Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds includes the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City of New Buffalo considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City of New Buffalo.

The City of New Buffalo reports the following major governmental funds:

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

The **Casino Fund** is used to account for income received from the Pokagon Fund and capital expenditures and transfers based on current city projects.

**CITY OF NEW BUFFALO**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Measurement Focus, Basis of Accounting, and Financial Statements - Continued**

The **Major Street Fund** is used to account for revenues collected and monies expended for capital improvements and routine maintenance of streets designated as major streets.

The **Local Street Fund** is used to account for revenues collected and monies expended for capital improvements and routine maintenance of streets designated as local streets.

The **Park Fund** is used to account for revenues collected and monies expended for operating and maintaining the City's parks.

The City of New Buffalo reports the following enterprise funds:

The **Water Fund** accounts for the activities related to water production, treatment, distribution and billing.

The **Sewer Fund** accounts for the maintenance of the sanitary system and pays for the treatment of wastewater.

Additionally, the City of New Buffalo reports the following fund types:

**Special Revenue Funds** account for revenue sources that are legally restricted to expenditures for specific purposes not including capital projects or permanent funds.

**Debt Service Funds** account for the accumulation of resources for, and payment of governmental activities principal, interest and related costs.

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

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

**D. Budgets and Budgetary Accounting**

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

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

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

**CITY OF NEW BUFFALO**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E. Encumbrances**

Encumbrances represent commitments to unperformed contracts for goods and services. Encumbrances outstanding at year-end lapse and are generally reappropriated as part of the following year's budget.

**F. Cash and Cash Equivalents**

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificates of deposits are stated at cost, which approximates fair value.

**G. Receivables**

Receivables have been recognized for all significant amounts due the City. No allowances have been made for uncollectible amounts because, if they remain unpaid, most delinquent receivables can be added to the tax roll and become a lien against the property.

**H. Prepaid Items**

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

**I. Capital Assets**

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

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statements of net position. The straight-line depreciation method is applied over the estimated useful lives of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

<u>Asset Class</u>	<u>Depreciable Life</u>
Land improvements	20 years
Buildings	20-40 years
Building improvements	20-40 years
Water and sewer lines	20-40 years
Infrastructure	20-40 years
Vehicles	5-10 years
Machinery and equipment	5-10 years

**CITY OF NEW BUFFALO**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**J. Deferred Outflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The City has two items that qualify for reporting in this category. One is the deferred charge on bond refunding reported in the government-wide statement of net position. A deferred charge on refunded debt results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred over the shorter of the life of the refunded or refunding debt. The second is deferred amounts related to the City's pension plan as discussed in Note 8.

**K. Long-Term Liabilities**

In the government-wide financial statements, and 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 and business-type activities or proprietary fund type statements of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight-line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related 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. Bond discounts are reported as other financing uses. Issuances costs, whether or not withheld from the actual debt received, are reported as debt service expenditures.

**L. Property Taxes**

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st and December 1st on the taxable valuation of property as of the preceding December 31. If the summer tax bills (July 1) are not paid by the due date, October 1, a 4% penalty is charged and the entire amount is rolled into the winter bills. If the winter tax bills (December 1) are not paid by the due date, February 14, a 4% penalty is charged and the balance is turned over to the County on March 1.

The City's 2014 ad valorem tax is levied and collectible on December 1, 2014 and is recognized as revenue in the year ended June 30, 2015, when the proceeds of the levy are budgeted and available for the financing of operations.

**M. Compensated Absences**

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 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.

**CITY OF NEW BUFFALO**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**M. Compensated Absences - Continued**

Benefits are earned as follows:

**Sick pay** - Sick pay accumulates at a rate of one day per month for a maximum of 120 days.

**Vacation** - One or more weeks per year, depending on years of service, with no payment or carryover if vacation is not taken except under unusual circumstances if requested by the department supervisor and approved by the City Council.

**N. Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**O. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Based on Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) the City is authorized to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions that do not have a branch location in Michigan. Following that Attorney General opinion, the City restricts its deposits to state or nationally chartered banks or state or federally chartered savings and loan associations, savings banks, or credit unions whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States. The City's deposits are in accordance with statutory authority at June 30, 2015.

**CITY OF NEW BUFFALO**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 2 - DEPOSITS AND INVESTMENTS - Continued**

**Custodial Credit Risk** - Deposits are exposed to custodial credit risk if they are not covered by depository insurance. The City does not have a policy for custodial credit risk. At June 30, 2015, the City's funds were deposited in three institutions meeting the above requirements. At June 30, 2015, the carrying amount of the City's deposits was \$6,947,117. The combined bank balance of these deposits was \$6,957,599 of which \$6,675,069 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 2,127,823
Collateralized	<u>4,547,246</u>
 Total exposed to custodial risk	 <u>\$ 6,675,069</u>

At year-end, the deposits consisted of the following components:

	Carrying Amount			Total
	Primary Government	Fiduciary Funds	Component Unit	
Bank deposits	\$ 6,931,738	\$ 8,606	\$ 5,923	\$ 6,946,267
Petty cash	<u>850</u>	<u>-</u>	<u>-</u>	<u>850</u>
 Total	 <u>\$ 6,932,588</u>	 <u>\$ 8,606</u>	 <u>\$ 5,923</u>	 <u>\$ 6,947,117</u>

**NOTE 3 - 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 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 New Buffalo and New Buffalo Township. The participating communities provide annual funding for the operations of the cemetery. During the current year, the City contributed \$24,000 for its operation. Completed financial statements for the Pine Grove Cemetery can be obtained from the New Buffalo City Clerk's office.

**CITY OF NEW BUFFALO**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 3 - JOINT VENTURES - Continued**

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

On September 23, 2003, the GRSD issued an \$8.1 million General Obligation Limited Tax Bond for the design, acquisition, construction and equipping improvements for expansion of the plant. As the bonds were issued by the GRSD, the City has recorded a bond payable in the amount of \$1,567,639 for their pro-rata portion of these bonds. The GRSD bills the City for their portion of principal and interest on the bonds as those payments become due. On May 22, 2013, the GRSD refinanced the General Obligation Limited Tax Bond in the amount of \$5,900,000. The City has recorded a new bond payable in the amount of \$1,143,420 for their pro-rata portion of the refinanced bonds. The bond payable balance as of June 30, 2015 is \$1,079,466. See Note 7 for details.

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.

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 equity interest in the District was \$789,773 at December 31, 2013 (the District's year end) and \$807,175 at December 31, 2014. At June 30, 2015, accounts payable were \$53,953. Completed financial statements for the Galien River Sanitary District can be obtained from the New Buffalo City Clerk's office.



**CITY OF NEW BUFFALO**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 4 - CAPITAL ASSETS**

Capital assets activities for the year ended June 30, 2015 were as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Governmental Activities</b>					
Nondepreciable Capital Assets					
Land	\$ 271,194	\$ 6,800	\$ -	\$ -	\$ 277,994
Construction in progress	<u>740,750</u>	<u>13,479</u>	<u>-</u>	<u>(470,016)</u>	<u>284,213</u>
Total Nondepreciable Capital Assets	<u>\$ 1,011,944</u>	<u>\$ 20,279</u>	<u>\$ -</u>	<u>\$ (470,016)</u>	<u>\$ 562,207</u>
Depreciable Capital Assets					
Land improvements	\$ 2,919,351	\$ -	\$ -	\$ -	\$ 2,919,351
Infrastructure	953,809	-	-	470,016	1,423,825
Buildings and improvements	2,822,520	-	-	-	2,822,520
Machinery and equipment	<u>4,245,756</u>	<u>105,082</u>	<u>(42,388)</u>	<u>-</u>	<u>4,308,450</u>
Total Depreciable Capital Assets	<u>\$ 10,941,436</u>	<u>\$ 105,082</u>	<u>\$ (42,388)</u>	<u>\$ 470,016</u>	<u>\$ 11,474,146</u>
Less Accumulated Depreciation for:					
Land improvements	\$ (846,001)	\$ (128,018)	\$ -	\$ -	\$ (974,019)
Infrastructure	(202,946)	(38,057)	-	-	(241,003)
Buildings and improvements	(1,253,396)	(74,969)	-	-	(1,328,365)
Machinery and equipment	<u>(3,283,497)</u>	<u>(250,722)</u>	<u>42,388</u>	<u>-</u>	<u>(3,491,831)</u>
Total Accumulated Depreciation	<u>\$ (5,585,840)</u>	<u>\$ (491,766)</u>	<u>\$ 42,388</u>	<u>\$ -</u>	<u>\$ (6,035,218)</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 5,355,596</u>	<u>\$ (386,684)</u>	<u>\$ -</u>	<u>\$ 470,016</u>	<u>\$ 5,438,928</u>
Governmental Activities Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 6,367,540</u>	<u>\$ (366,405)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,001,135</u>

**CITY OF NEW BUFFALO**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 4 - CAPITAL ASSETS - Continued**

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Business Activities</b>					
Nondepreciable Capital Assets					
Land	\$ 20,500	\$ -	\$ -	\$ -	\$ 20,500
Construction in progress	<u>-</u>	<u>50,686</u>	<u>-</u>	<u>-</u>	<u>50,686</u>
Total Nondepreciable Capital Assets	<u>\$ 20,500</u>	<u>\$ 50,686</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,186</u>
Depreciable Capital Assets					
Buildings and improvements	\$ 9,238,603	\$ -	\$ -	\$ -	\$ 9,238,603
Machinery and equipment	<u>586,928</u>	<u>10,375</u>	<u>-</u>	<u>-</u>	<u>597,303</u>
Total Depreciable Capital Assets	<u>\$ 9,825,531</u>	<u>\$ 10,375</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,835,906</u>
Less Accumulated Depreciation for:					
Buildings and improvements	\$ (4,394,877)	\$ (182,959)	\$ -	\$ -	\$ (4,577,836)
Machinery and equipment	<u>(508,759)</u>	<u>(11,501)</u>	<u>-</u>	<u>-</u>	<u>(520,260)</u>
Total Accumulated Depreciation	<u>\$ (4,903,636)</u>	<u>\$ (194,460)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,098,096)</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 4,921,895</u>	<u>\$ (184,085)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,737,810</u>
Business Activities Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 4,942,395</u>	<u>\$ (133,399)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,808,996</u>

Depreciation expense was charged in the following functions in the statement of activities:

<b>Governmental functions:</b>	
General government	\$ 76,727
Public safety	135,130
Public works	134,122
Recreation and cultural	<u>145,787</u>
Total	<u>\$ 491,766</u>
<b>Business-type functions:</b>	
Sewer	\$ 33,808
Water	<u>160,652</u>
Total	<u>\$ 194,460</u>

**CITY OF NEW BUFFALO**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 5 - LEASES**

**Capital Leases**

The City entered into a lease agreement with the County of Berrien, Michigan to finance the construction of water improvements. Water improvements were capitalized in the amount of \$1,565,924 and as of June 30, 2015, the accumulated depreciation amounted to \$93,955. Amortization is included in the depreciation of the water improvements. The future minimum lease obligations and the net present value are as follows:

<b>Year Ending</b> <b><u>June 30,</u></b>	<b><u>Amount</u></b>
2016	\$ 101,873
2017	100,123
2018	98,373
2019	101,561
2020	99,686
2021-2025	494,244
2026-2030	491,367
2031	<u>101,173</u>
Total minimum lease payments	\$ 1,588,400
Less amount representing interest	<u>(278,476)</u>
Present value of minimum lease payments	<u>\$ 1,309,924</u>

**NOTE 6 - DEFEASED DEBT**

On September 30, 2003, the City defeased a bond issued by creating a separate irrevocable trust fund. New debt has been issued and the net proceeds of the refunding were placed in a separate special escrow account and invested in securities of the U.S. Government and its agencies. The investment and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the refunded bonds are considered to be defeased. Accordingly, the trust account assets and liability for the defeased bonds are not included in the City's financial statements.

As of June 30, 2015, the amount of defeased debt outstanding but removed from the City's financial statements was \$250,000 for the refinancing of the Water Supply System Revenue Bonds of 1995.

**CITY OF NEW BUFFALO**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 7 - LONG-TERM DEBT**

The following is a summary of long-term debt transactions of the primary government for the year ended June 30, 2015:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities</b>					
Bonds payable consist of the following:					
\$1,515,000 1997 Building Authority Bonds due in annual installments of \$90,000 to \$130,000 through September 1, 2016; interest at 5.20% to 5.40%.	\$ 365,000	\$ -	\$ (115,000)	\$ 250,000	\$ 120,000
\$315,000 2005 Capital Improvement Bonds due in annual installments of \$30,000 to \$35,000 through October 1, 2015; interest at 4.20% to 4.65%.	70,000	-	(35,000)	35,000	35,000
\$180,000 2007 Capital Improvement Bonds due in annual installments of \$10,000 to \$25,000 through October 1, 2016; interest at 4.00% to 4.30%.	65,000	-	(20,000)	45,000	20,000
\$425,000 2010 Capital Improvement Bonds due in annual installments of \$35,000 to \$50,000 through October 1, 2019; interest at 3.35% to 4.25%.	<u>275,000</u>	<u>-</u>	<u>(40,000)</u>	<u>235,000</u>	<u>45,000</u>
Total Bonds Payable	\$ 775,000	\$ -	\$ (210,000)	\$ 565,000	\$ 220,000
Compensated Absences - General Fund, Park, Local and Street Funds	<u>65,376</u>	<u>4,934</u>	<u>-</u>	<u>70,310</u>	<u>14,062</u>
Total Governmental Activities	<u>\$ 840,376</u>	<u>\$ 4,934</u>	<u>\$ (210,000)</u>	<u>\$ 635,310</u>	<u>\$ 234,062</u>

**CITY OF NEW BUFFALO**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 7 - LONG-TERM DEBT - Continued**

**Business Activities**

\$1,565,924 Capital Lease Agreement due in annual installments of \$61,000 to \$99,924 through October 1, 2030; interest at 2.5%.	\$ 1,374,924	\$ -	\$ (65,000)	\$ 1,309,924	\$ 70,000
\$1,143,420 General Obligation Limited Tax Bond - GRSD due in annual installments of \$63,954 to \$93,993 through November 1, 2028; interest at 2.00% to 4.00%.	1,143,420	-	(63,954)	1,079,466	65,892
Bond issuance premiums	69,041	-	(4,655)	64,386	4,655
Deferred outflows - deferred charges on bond refunding	(59,346)	-	4,001	(55,345)	-
Compensated absences - Water Fund	35,618	11,939	-	47,557	9,511
Total Business Activities	<u>\$ 2,563,657</u>	<u>\$ 11,939</u>	<u>\$ (129,608)</u>	<u>\$ 2,445,988</u>	<u>\$ 150,058</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Governmental Activities</u>		<u>Business Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	220,000	21,477	135,892	63,782
2017	200,000	11,173	136,861	60,705
2018	45,000	5,270	137,830	57,607
2019	50,000	3,250	143,799	54,429
2020	50,000	1,088	145,737	51,159
2021-2025	-	-	781,786	196,159
2026-2030	-	-	807,561	70,147
2031	-	-	99,924	1,249
Total	<u>\$ 565,000</u>	<u>\$ 42,258</u>	<u>\$ 2,389,390</u>	<u>\$ 555,237</u>

**CITY OF NEW BUFFALO**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 8 - DEFINED BENEFIT RETIREMENT PLAN**

**A. Summary of Significant Accounting Policies**

**Pensions**

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

**B. General Information about the Pension Plan**

**Plan Description**

The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

**Benefits Provided**

01 - General: Open Division

**2013 Valuation**

Benefit Multiplier:	1.5% multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions:	3.6%
Act 88:	Yes (Adopted 2/1/2007)

**Employees Covered by Benefit Terms**

At the December 31, 2014 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	7
Active employees	22
 Total	 34

**CITY OF NEW BUFFALO**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 8 - DEFINED BENEFIT RETIREMENT PLAN - Continued**

**B. General Information about the Pension Plan - Continued**

**Contributions**

The City 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 City may establish contribution rates to be paid by its covered employees.

The City's contributions were \$79,096 based on annual payroll for open divisions as of June 30, 2015.

**Net Pension Liability**

The City's Net Pension Liability was measured as of December 31, 2014, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

**Actuarial Assumptions**

The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3% - 4%

Salary Increases: 4.5% in the long-term (1%, 2%, and 3% for calendar years 2014, 2015 and 2016, respectively)

Investment rate of return: 8.0%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008. (MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009, through December 31, 2013.)

**CITY OF NEW BUFFALO**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 8 - DEFINED BENEFIT RETIREMENT PLAN - Continued**

**B. General Information about the Pension Plan - Continued**

**Actuarial Assumptions - Continued**

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	57.50%	5.02%
Global Fixed Income	20.00%	2.18%
Real Assets	12.50%	4.23%
Diversifying Strategies	10.00%	6.56%

**Discount Rate**

The discount rate used to measure the total pension liability is 8.25% for 2014. 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.

**C. Changes in Net Pension Liability**

**Calculating Changes in Net Pension Liability**

	<u>Total Pension Liability</u> <u>(a)</u>	<u>Plan Fiduciary Net Position</u> <u>(b)</u>	<u>Net Pension Liability (Asset)</u> <u>(a)-(b)</u>
<b>Balances at 12/31/13</b>	\$ 2,063,280	\$ 1,605,675	\$ 457,605
<b>Changes for the Year</b>			
Service cost	\$ 64,147	\$ -	\$ 64,147
Interest on total pension liability	169,562	-	169,562
Changes in benefits	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Employer contributions	-	74,510	(74,510)
Employee contributions	-	38,669	(38,669)
Net investment income	-	102,489	(102,489)
Benefit payments, including employee refunds	(80,111)	(80,111)	-
Administrative expense	-	(3,787)	3,787
Other changes	-	-	-
<b>Net Changes</b>	<u>\$ 153,598</u>	<u>\$ 131,770</u>	<u>\$ 21,828</u>
<b>Balances as of 12/31/14</b>	<u>\$ 2,216,878</u>	<u>\$ 1,737,445</u>	<u>\$ 479,433</u>



**CITY OF NEW BUFFALO**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 8 - DEFINED BENEFIT RETIREMENT PLAN - Continued**

**C. Changes in Net Pension Liability - Continued**

**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 8.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.25%) or 1% higher (9.25%) than the current rate.

	<b>1% Decrease (7.25%)</b>	<b>Current Discount Rate (8.25%)</b>	<b>1% Increase (9.25%)</b>
Net Pension Liability as of December 31, 2014	\$ -	\$ 479,433	\$ -
Change in Net Pension Liability (NPL)	<u>242,590</u>	<u>-</u>	<u>(203,634)</u>
Calculated NPL	<u>\$ 722,023</u>	<u>\$ 479,433</u>	<u>\$ 275,799</u>

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

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

For the year ended June 30, 2015, the City recognized pension expense of \$71,388. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences in experience	\$ -	\$ -
Differences in assumptions	-	-
Excess (Deficit) investment returns	24,950	-
Contributions subsequent to the measurement date *	<u>37,913</u>	<u>-</u>
Total	<u>\$ 62,863</u>	<u>\$ -</u>

\*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 20, 2016.

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

<b>Year ended June 30,</b>	<b>Amount</b>
2015	\$ 6,237
2016	6,238
2017	6,238
2018	6,237
2019	-
Thereafter	-

**CITY OF NEW BUFFALO**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 9 - DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with the provisions of the Internal Revenue Code Section 457. As a result of federal legislation with regard to Internal Revenue Code Section 457, the City no longer has rights to the assets of the deferred compensation plan. The assets of the plan have been transferred into individual trust accounts of the employees and are not subject to the claims of the general creditors of the City. Therefore, the City is not required to account for the deferred compensation plan.

**NOTE 10 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund balances at June 30, 2015, consisted of the following:

		Due from			
		<u>Building Authority Debt Fund</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	<u>Total</u>
Due to	General Fund	\$ 375	\$ 4,387	\$ 23	\$ 4,785
	Total	<u>\$ 106,375</u>	<u>\$ 4,387</u>	<u>\$ 23</u>	<u>\$ 4,785</u>

The Building Authority Debt Fund and Component Unit owes the General Fund for fees paid by the General Fund.

The Fiduciary Funds owe the General Fund for interest earned and various collections.

Interfund transfers for the year ended June 30, 2015, consisted of the following:

		Transfer from			
		<u>General Fund</u>	<u>Casino Fund</u>	<u>Park Fund</u>	<u>Total</u>
Transfer to	Park Fund	\$ 125,000	\$ -	\$ -	\$ 125,000
	Equipment Purchase Fund	106,000	-	-	106,000
	Debt Service Fund	62,710	50,473	-	113,183
	Building Authority Debt Fund	135,000	-	-	135,000
	Harbor Dredging Fund	-	-	35,188	35,188
	Total:	<u>\$ 428,710</u>	<u>\$ 50,473</u>	<u>\$ 35,188</u>	<u>\$ 514,371</u>

\$125,000 was transferred from the General Fund to the Park Fund to support current operations for the year.

\$106,000 was transferred from the General Fund to the Equipment Purchase Fund for improvements.

\$62,710 and \$135,000 was transferred from the General Fund to the Debt Service Fund and Building Authority Fund to pay down current year debt.

\$50,473 was transferred from the Casino Fund to the Debt Service Fund to pay down current year debt.

\$35,188 was transferred from the Park Fund to the Harbor Dredging Fund for dredging improvements.

**CITY OF NEW BUFFALO**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 11 - RISK MANAGEMENT**

The City of New Buffalo carries insurance for risks of loss, including torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in the past fiscal year.

**NOTE 12 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

The City is a participant in a joint venture (see Note 3) with the GRSD. The GRSD issued a \$1.8 million General Obligation Limited Tax Bond on February 1, 2007. The GRSD will pay the principal and interest payments of this bond with revenues generated by the GRSD. However, if such revenue is insufficient or unavailable for such payment, each local unit in the joint venture is responsible to pay an equal share, or 20% of each payment. As of June 30, 2015, there is no indication that the GRSD will be unable to service this debt and therefore, no liability has been recognized by the City. The outstanding balance of these bonds as of December 31, 2014 was \$1,380,000.

The City is a participant in a joint venture (see Note 3) with the New Buffalo Library Joint Building Authority. The New Buffalo Library Joint Building Authority issued a \$5 million Building Authority Bond on May 7, 2013. The New Buffalo Library Joint Building Authority will pay the principal and interest payments of this bond with revenues generated by ad valorem taxes levied by the City of New Buffalo and New Buffalo Township. However, if such revenue is insufficient or unavailable for such payment, each local unit in the joint venture is responsible to pay an equal share of each payment. As of June 30, 2015, there is no indication that the New Buffalo Library Joint Building Authority will be unable to service this debt and therefore, no liability has been recognized by the City. The outstanding balance of these bonds as of December 31, 2014 was \$5,000,000.

**NOTE 13 - SPECIAL ITEMS**

The government receives discretionary payments from the New Buffalo Area Local Revenue Sharing Board each year based on a percentage of the net earnings from the casino. In addition, the government receives Specific Actual Costs (SAC) payments from the New Buffalo Area Local Revenue Sharing Board as reimbursement for expenses paid by the City that provide benefit to the fund. Discretionary payments received were \$337,056 and SAC payments received were \$69,085 for the year ending June 30, 2015.

The government receives various grants from the Pokagon Fund each year. The City's recorded revenue was \$50,827 which represents grants received in the amount of \$114,300 and refunds of unspent grants in the amount of \$63,473 for the year ending June 30, 2015.

**NOTE 14 - USE OF ESTIMATES**

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

**CITY OF NEW BUFFALO**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 15 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Expenditures over Budgets**

The following funds incurred expenditures in excess of appropriations in the activities indicated below:

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Budget</u>
General Fund:			
Public safety	\$ 1,075,071	\$ 1,084,346	\$ 9,275
Community and economic development	4,875	5,969	1,094
Other	138,454	149,253	10,799
Local Street Fund	54,479	55,063	584

**NOTE 16 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 13, 2015, the date on which the financial statements were available to be issued. There were no material subsequent events.

**NOTE 17 - IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES**

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information. Due to the accounting change, beginning net position was adjusted by \$421,277.

**CITY OF NEW BUFFALO**  
**Required Supplementary Information**  
**Schedule of Employer's Contributions**  
**Municipal Employees' Retirement System**  
**Last 10 Fiscal Years (Amounts were determined as of December 31 of each fiscal year)**

		<u>2014</u>
Actuarial Determined Contributions	\$	74,510
Contributions in Relation to the Actuarially Determined Contribution		<u>74,510</u>
Contribution Deficiency (Excess)	\$	<u>-</u>
Covered Employee Payroll	\$	997,614
Contributions as a Percentage of Covered Employee Payroll		7%

**Notes to Schedule**

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	10 year smoothed
Inflation	3.5%
Salary increases	4.5%
Investment rate of return	8.0%
Retirement age	Varies depending on plan adoption
Mortality	50% Female/50% Male 1994 Group Annuity Mortality Table

**CITY OF NEW BUFFALO**  
**Required Supplementary Information**  
**Schedule of Changes in the Employer's Net Pension Liability and Related Ratios**  
**Municipal Employees' Retirement System**  
**Last 10 Fiscal years (Amounts were determined as of December 31 of each fiscal year)**

	<u>2014</u>
<b>Total Pension Liability</b>	
Service cost	\$ 64,147
Interest	169,562
Benefit payments including employee refunds	(80,111)
Other	<u>-</u>
Net Change in Total Pension Liability	\$ 153,598
Total Pension Liability - Beginning	<u>2,063,280</u>
Total Pension Liability - Ending	<u>\$ 2,216,878</u>
<b>Plan Fiduciary Net Position</b>	
Contributions-employer	\$ 74,510
Contributions-employee	38,669
Net Investment income	102,489
Benefit payments including employee refunds	(80,111)
Administrative expense	<u>(3,787)</u>
Net Change in Plan Fiduciary Net Position	\$ 131,770
Plan Fiduciary Net Position - Beginning	<u>1,605,675</u>
Plan Fiduciary Net Position - Ending	<u>\$ 1,737,445</u>
Employer Net Pension Asset	<u>\$ 479,433</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	78%
<b>Covered Employee Payroll</b>	997,614
<b>Employer's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	48%

**Notes to schedule:**

*Benefit changes (if any) can be found in the actuarial valuation section titled: "Benefit Provision History"*  
*Changes in assumptions: There were no changes in actuarial assumptions or methods affecting the 2014 valuation. (This information can be found in the actuarial valuation section titled: "Plan Provision, Actuarial Assumptions and Actuarial Funding Method; and also in the Appendix link of the actuarial valuation.)*

**CITY OF NEW BUFFALO  
GENERAL FUND  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues:</b>				
Taxes	\$ 2,197,193	\$ 2,197,193	\$ 2,189,336	\$ (7,857)
Licenses and permits	50,000	50,000	69,446	19,446
State revenues	163,512	163,512	161,743	(1,769)
Charges for services	359,276	359,276	388,630	29,354
Fines and forfeitures	1,075	1,075	765	(310)
Interest and rents	1,000	1,000	3,080	2,080
Other	<u>40,100</u>	<u>40,100</u>	<u>64,667</u>	<u>24,567</u>
 Total Revenues	 <u>\$ 2,812,156</u>	 <u>\$ 2,812,156</u>	 <u>\$ 2,877,667</u>	 <u>\$ 65,511</u>
<b>Expenditures:</b>				
Current:				
General government	\$ 563,616	\$ 769,616	\$ 754,424	\$ 15,192
Public safety	1,087,071	1,075,071	1,084,346	(9,275)
Public works	707,050	648,550	642,204	6,346
Health and welfare	102,000	102,000	101,948	52
Community and economic development	6,875	4,875	5,969	(1,094)
Other	<u>55,454</u>	<u>138,454</u>	<u>149,253</u>	<u>(10,799)</u>
 Total Expenditures	 <u>\$ 2,522,066</u>	 <u>\$ 2,738,566</u>	 <u>\$ 2,738,144</u>	 <u>\$ 422</u>
 Revenues Excess of Expenditures	 <u>\$ 290,090</u>	 <u>\$ 73,590</u>	 <u>\$ 139,523</u>	 <u>\$ 65,933</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	\$ (428,710)	\$ (428,710)	\$ (428,710)	\$ -
Sale of fixed assets	<u>500</u>	<u>500</u>	<u>-</u>	<u>(500)</u>
 Total Other Financing Sources (Uses)	 <u>\$ (428,210)</u>	 <u>\$ (428,210)</u>	 <u>\$ (428,710)</u>	 <u>\$ (500)</u>
 Net Change in Fund Balances	 <u>\$ (138,120)</u>	 <u>\$ (354,620)</u>	 <u>\$ (289,187)</u>	 <u>\$ 65,433</u>
 Fund Balances - Beginning of Year	 <u>963,856</u>	 <u>963,856</u>	 <u>963,856</u>	 <u>-</u>
 FUND BALANCES - END OF YEAR	 <u><u>\$ 825,736</u></u>	 <u><u>\$ 609,236</u></u>	 <u><u>\$ 674,669</u></u>	 <u><u>\$ 65,433</u></u>

**CITY OF NEW BUFFALO  
CASINO FUND  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Contribution from local units	\$ 350,000	\$ 350,000	\$ 337,056	\$ (12,944)
Interest and rents	2,000	2,000	3,126	1,126
Other	<u>-</u>	<u>-</u>	<u>119,912</u>	<u>119,912</u>
 Total Revenues	 <u>\$ 352,000</u>	 <u>\$ 352,000</u>	 <u>\$ 460,094</u>	 <u>\$ 108,094</u>
<b>Expenditures:</b>				
General government			\$ 8,766	
Capital outlay			<u>114,755</u>	
 Total Expenditures	 <u>\$ 195,000</u>	 <u>\$ 195,000</u>	 <u>\$ 123,521</u>	 <u>\$ 71,479</u>
 Revenues in Excess of Expenditures	 <u>\$ 157,000</u>	 <u>\$ 157,000</u>	 <u>\$ 336,573</u>	 <u>\$ 179,573</u>
<b>Other Financing Uses:</b>				
Transfers out	\$ (50,473)	\$ (50,473)	\$ (50,473)	\$ -
 Total Other Financing Uses	 <u>\$ (50,473)</u>	 <u>\$ (50,473)</u>	 <u>\$ (50,473)</u>	 <u>\$ -</u>
 Net Change in Fund Balances	 \$ 106,527	 \$ 106,527	 \$ 286,100	 \$ 179,573
Fund Balances - Beginning of Year	<u>1,012,488</u>	<u>1,012,488</u>	<u>1,012,488</u>	<u>-</u>
 FUND BALANCES - END OF YEAR	 <u>\$ 1,119,015</u>	 <u>\$ 1,119,015</u>	 <u>\$ 1,298,588</u>	 <u>\$ 179,573</u>



**CITY OF NEW BUFFALO  
MAJOR STREET FUND  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
State revenues	\$ 126,000	\$ 126,000	\$ 131,914	\$ 5,914
Interest and rents	<u>100</u>	<u>100</u>	<u>272</u>	<u>172</u>
Total Revenues	<u>\$ 126,100</u>	<u>\$ 126,100</u>	<u>\$ 132,186</u>	<u>\$ 6,086</u>
<b>Expenditures:</b>				
Public works:				
Salaries and wages	\$ 13,881	\$ 13,881	\$ 13,334	\$ 547
Benefits	1,062	1,062	992	70
Supplies	68,500	68,500	38,303	30,197
Other services and charges	<u>43,800</u>	<u>43,800</u>	<u>28,396</u>	<u>15,404</u>
Total Expenditures	<u>\$ 127,243</u>	<u>\$ 127,243</u>	<u>\$ 81,025</u>	<u>\$ 46,218</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (1,143)</u>	<u>\$ (1,143)</u>	<u>\$ 51,161</u>	<u>\$ 52,304</u>
<b>Other Financing Sources:</b>				
Operating transfers out	<u>\$ (40,000)</u>	<u>\$ (40,000)</u>	<u>\$ -</u>	<u>\$ 40,000</u>
Total Other Financing Uses	<u>\$ (40,000)</u>	<u>\$ (40,000)</u>	<u>\$ -</u>	<u>\$ 40,000</u>
Net Change in Fund Balances	\$ (41,143)	\$ (41,143)	\$ 51,161	\$ 92,304
Fund Balances - Beginning of Year	<u>248,586</u>	<u>248,586</u>	<u>248,586</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 207,443</u></u>	<u><u>\$ 207,443</u></u>	<u><u>\$ 299,747</u></u>	<u><u>\$ 92,304</u></u>

**CITY OF NEW BUFFALO  
LOCAL STREET FUND  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
State revenues	\$ 63,500	\$ 63,500	\$ 82,783	\$ 19,283
Interest and rents	30	30	98	68
Other	<u>-</u>	<u>-</u>	<u>4,260</u>	<u>4,260</u>
 Total Revenues	 <u>\$ 63,530</u>	 <u>\$ 63,530</u>	 <u>\$ 87,141</u>	 <u>\$ 23,611</u>
<b>Expenditures:</b>				
Public works:				
Salaries and wages	\$ 10,756	\$ 10,756	\$ 11,484	\$ (728)
Benefits	823	823	853	(30)
Supplies	35,000	35,000	34,211	789
Other services and charges	<u>7,900</u>	<u>7,900</u>	<u>8,515</u>	<u>(615)</u>
 Total Expenditures	 <u>\$ 54,479</u>	 <u>\$ 54,479</u>	 <u>\$ 55,063</u>	 <u>\$ (584)</u>
 Revenues in Excess of Expenditures	 <u>\$ 9,051</u>	 <u>\$ 9,051</u>	 <u>\$ 32,078</u>	 <u>\$ 23,027</u>
<b>Other Financing Sources:</b>				
Operating transfers out	\$ (20,000)	\$ (20,000)	\$ -	\$ 20,000
 Total Other Financing Uses	 <u>\$ (20,000)</u>	 <u>\$ (20,000)</u>	 <u>\$ -</u>	 <u>\$ 20,000</u>
 Net Change in Fund Balances	 <u>\$ (10,949)</u>	 <u>\$ (10,949)</u>	 <u>\$ 32,078</u>	 <u>\$ 43,027</u>
Fund Balances - Beginning of Year	<u>90,283</u>	<u>90,283</u>	<u>90,283</u>	<u>-</u>
 FUND BALANCES - END OF YEAR	 <u><u>\$ 79,334</u></u>	 <u><u>\$ 79,334</u></u>	 <u><u>\$ 122,361</u></u>	 <u><u>\$ 43,027</u></u>

**CITY OF NEW BUFFALO  
PARK FUND  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues:</b>				
Grant revenue	\$ 7,500	\$ 7,500	\$ -	\$ (7,500)
Charges for services	306,000	306,000	324,543	18,543
Interest and rents	300	300	68	(232)
Other	<u>3,000</u>	<u>3,000</u>	<u>6,483</u>	<u>3,483</u>
 Total Revenues	 <u>\$ 316,800</u>	 <u>\$ 316,800</u>	 <u>\$ 331,094</u>	 <u>\$ 14,294</u>
<b>Expenditures:</b>				
Recreation and culture:				
Salaries and wages	\$ 216,813	\$ 216,813	\$ 229,056	\$ (12,243)
Benefits and insurance	60,777	60,777	44,475	16,302
Supplies	26,950	26,950	23,003	3,947
Other services and charges	112,374	112,374	100,074	12,300
Capital outlay	7,500	7,500	6,920	580
Grant refund	<u>-</u>	<u>-</u>	<u>7,500</u>	<u>(7,500)</u>
 Total Expenditures	 <u>\$ 424,414</u>	 <u>\$ 424,414</u>	 <u>\$ 411,028</u>	 <u>\$ 13,386</u>
 Expenditures in Excess of Revenues	 <u>\$ (107,614)</u>	 <u>\$ (107,614)</u>	 <u>\$ (79,934)</u>	 <u>\$ 27,680</u>
<b>Other Financing Uses:</b>				
Operating transfers in	\$ 125,000	\$ 125,000	\$ 125,000	\$ -
Operating transfers out	<u>(37,000)</u>	<u>(37,000)</u>	<u>(35,188)</u>	<u>1,812</u>
 Total Other Financing Uses	 <u>\$ 88,000</u>	 <u>\$ 88,000</u>	 <u>\$ 89,812</u>	 <u>\$ 1,812</u>
 Net Change in Fund Balances	 <u>\$ (19,614)</u>	 <u>\$ (19,614)</u>	 <u>\$ 9,878</u>	 <u>\$ 29,492</u>
 Fund Balances - Beginning of Year	 <u>57,556</u>	 <u>57,556</u>	 <u>57,556</u>	 <u>-</u>
 FUND BALANCES - END OF YEAR	 <u><u>\$ 37,942</u></u>	 <u><u>\$ 37,942</u></u>	 <u><u>\$ 67,434</u></u>	 <u><u>\$ 29,492</u></u>

**CITY OF NEW BUFFALO  
GENERAL FUND  
Statement of Revenues - Budget and Actual  
For the Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
Taxes:			
Property taxes	\$ 2,189,693	\$ 2,182,903	\$ (6,790)
Penalties and interest	7,500	6,433	(1,067)
Licenses and permits	50,000	69,446	19,446
State revenues	163,512	161,743	(1,769)
Charges for services	359,276	388,630	29,354
Fines and forfeitures	1,075	765	(310)
Interest and rents	1,000	3,080	2,080
Other	<u>40,100</u>	<u>64,667</u>	<u>24,567</u>
 TOTAL REVENUES	 <u>\$ 2,812,156</u>	 <u>\$ 2,877,667</u>	 <u>\$ 65,511</u>

**CITY OF NEW BUFFALO  
GENERAL FUND  
Statement of Expenditures - Budget and Actual  
For the Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>General Government</b>			
<b>Legislative</b>			
Commission			
Salaries and wages		\$ 10,784	
Benefits and insurance		969	
Supplies		23	
Other services and charges		<u>5,676</u>	
Total Legislative	<u>\$ 13,501</u>	<u>\$ 17,452</u>	<u>\$ (3,951)</u>
<b>Chief Executive</b>			
City Manager			
Salaries and wages		\$ 47,618	
Benefits and insurance		24,743	
Supplies		269	
Other services and charges		<u>758</u>	
Total Chief Executive	<u>\$ 75,647</u>	<u>\$ 73,388</u>	<u>\$ 2,259</u>
<b>Financial and Tax Administration</b>			
Clerk			
Salaries and wages		\$ 71,101	
Benefits and insurance		49,626	
Supplies		253	
Other services and charges		<u>2,192</u>	
Total Clerk	<u>\$ 126,240</u>	<u>\$ 123,172</u>	<u>\$ 3,068</u>
Board of Review			
Other services and charges		<u>\$ 944</u>	
Total Board of Review	1,300	<u>\$ 944</u>	356
Treasurer			
Salaries and wages		\$ 52,332	
Benefits and insurance		38,819	
Supplies		1,502	
Other services and charges		<u>4,873</u>	
Total Treasurer	97,374	<u>\$ 97,526</u>	(152)

**CITY OF NEW BUFFALO  
GENERAL FUND  
Statement of Expenditures - Budget and Actual  
For the Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>General Government - Continued</b>			
<b>Financial and Tax Administration - Continued</b>			
City Assessor			
Salaries and wages		\$ 1,905	
Benefits and insurance		502	
Supplies		1,353	
Other services and charges		<u>26,400</u>	
Total City Assessor	<u>32,193</u>	<u>\$ 30,160</u>	<u>2,033</u>
Total Financial and Tax Administration	<u>\$ 257,107</u>	<u>\$ 251,802</u>	<u>\$ 5,305</u>
<b>Other General Government</b>			
Elections			
Salaries and wages		\$ 2,000	
Supplies		786	
Other services and charges		<u>5,314</u>	
Total Elections	\$ 8,700	<u>\$ 8,100</u>	\$ 600
Attorney			
Other services and charges	282,500	<u>\$ 271,036</u>	11,464
Cemetery			
Other services and charges	24,000	<u>\$ 24,000</u>	-
Other			
Salaries and wages		\$ 32,480	
Benefits and insurance		14,777	
Supplies		9,075	
Other services and charges		<u>52,314</u>	
Total Other	<u>108,161</u>	<u>\$ 108,646</u>	<u>(485)</u>
Total Other General Government	<u>\$ 423,361</u>	<u>\$ 411,782</u>	<u>\$ 11,579</u>
Total General Government	<u>\$ 769,616</u>	<u>\$ 754,424</u>	<u>\$ 15,192</u>

**CITY OF NEW BUFFALO  
GENERAL FUND  
Statement of Expenditures - Budget and Actual  
For the Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Public Safety</b>			
Police			
Salaries and wages		\$ 506,771	
Benefits and insurance		221,772	
Supplies		51,718	
Other services and charges		<u>117,365</u>	
Total Police	\$ 890,315	\$ <u>897,626</u>	\$ (7,311)
Fire			
Salaries and wages		\$ 29,855	
Benefits and insurance		5,164	
Supplies		4,351	
Other services and charges		51,446	
Capital outlay		<u>11,913</u>	
Total Fire	102,175	\$ <u>102,729</u>	(554)
Building Inspection			
Salaries and wages		\$ 4,939	
Benefits and insurance		346	
Supplies		1,405	
Other services and charges		<u>77,301</u>	
Total Building Inspection	<u>82,581</u>	\$ <u>83,991</u>	<u>(1,410)</u>
Total Public Safety	\$ <u>1,075,071</u>	\$ <u>1,084,346</u>	\$ <u>(9,275)</u>
<b>Public Works</b>			
Highways, Streets, Bridges			
Salaries and wages		\$ 165,324	
Benefits and insurance		142,179	
Supplies		14,111	
Other services and charges		<u>49,767</u>	
Total Highways, Streets, Bridges	\$ 375,658	\$ <u>371,381</u>	\$ 4,277

**CITY OF NEW BUFFALO  
GENERAL FUND  
Statement of Expenditures - Budget and Actual  
For the Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Public Works - Continued</b>			
Street Lighting			
Other services and charges	34,000	\$ 32,161	1,839
Sanitation			
Other services and charges	<u>238,892</u>	<u>\$ 238,662</u>	<u>230</u>
Total Public Works	<u>\$ 648,550</u>	<u>\$ 642,204</u>	<u>\$ 6,346</u>
<b>Health and Welfare</b>			
Ambulance			
Other services and charges		<u>\$ 101,948</u>	
Total Health and Welfare	<u>\$ 102,000</u>	<u>\$ 101,948</u>	<u>\$ 52</u>
<b>Community and Economic Development</b>			
Planning			
Other services and charges		<u>\$ 5,037</u>	
Total Planning	\$ 3,550	<u>\$ 5,037</u>	\$ (1,487)
Zoning			
Other services and charges	<u>1,325</u>	<u>932</u>	<u>393</u>
Total Community and Economic Development	<u>\$ 4,875</u>	<u>\$ 5,969</u>	<u>\$ (1,094)</u>
<b>Other Functions</b>			
Insurance and Bonds			
Other services and charges	\$ 21,305	\$ 17,979	\$ 3,326
Miscellaneous Projects			
Other services and charges	<u>117,149</u>	<u>131,274</u>	<u>(14,125)</u>
Total Other Functions	<u>\$ 138,454</u>	<u>\$ 149,253</u>	<u>\$ (10,799)</u>
TOTAL EXPENDITURES	<u>\$ 2,738,566</u>	<u>\$ 2,738,144</u>	<u>\$ 422</u>



**CITY OF NEW BUFFALO  
NONMAJOR GOVERNMENTAL FUNDS  
Combining Balance Sheet  
June 30, 2015**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Equipment Purchase Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 497,102	\$ 19,742	\$ 138,881	\$ 655,725
Receivables:				
Taxes receivable	<u>114</u>	<u>-</u>	<u>-</u>	<u>114</u>
 TOTAL ASSETS	 <u>\$ 497,216</u>	 <u>\$ 19,742</u>	 <u>\$ 138,881</u>	 <u>\$ 655,839</u>
 <b>Liabilities, Deferred Inflow of Resources, and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 7,500	\$ -	\$ -	\$ 7,500
Due to other funds	<u>-</u>	<u>375</u>	<u>-</u>	<u>375</u>
 Total Liabilities	 <u>\$ 7,500</u>	 <u>\$ 375</u>	 <u>\$ -</u>	 <u>\$ 7,875</u>
 Deferred Inflow of Resources:				
Unavailable revenue - property taxes	<u>\$ 114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114</u>
 Fund Balances:				
Restricted for:				
Debt service	\$ -	\$ 19,367	\$ -	\$ 19,367
Special revenue	195,655	-	-	195,655
Assigned for:				
Special revenue	293,947	-	-	293,947
Capital projects	<u>-</u>	<u>-</u>	<u>138,881</u>	<u>138,881</u>
 Total Fund Balances	 <u>\$ 489,602</u>	 <u>\$ 19,367</u>	 <u>\$ 138,881</u>	 <u>\$ 647,850</u>
 TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	 <u>\$ 497,216</u>	 <u>\$ 19,742</u>	 <u>\$ 138,881</u>	 <u>\$ 655,839</u>

**CITY OF NEW BUFFALO**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**For the Year Ended June 30, 2015**

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Equipment Purchase Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues:</b>				
Taxes	\$ 96,882	\$ -	\$ -	\$ 96,882
State revenues	1,757	-	-	1,757
Contribution from local unit	-	-	9,926	9,926
Interest and rents	447	3	96	546
Other	<u>39,356</u>	<u>-</u>	<u>-</u>	<u>39,356</u>
 Total Revenues	 <u>\$ 138,442</u>	 <u>\$ 3</u>	 <u>\$ 10,022</u>	 <u>\$ 148,467</u>
<b>Expenditures:</b>				
Public safety	\$ 1,765	\$ -	\$ -	\$ 1,765
Recreation and culture	14,650	-	-	14,650
Capital outlay	-	-	105,350	105,350
Debt service:				
Principal	-	210,000	-	210,000
Interest and fiscal charges	<u>-</u>	<u>34,421</u>	<u>-</u>	<u>34,421</u>
 Total Expenditures	 <u>\$ 16,415</u>	 <u>\$ 244,421</u>	 <u>\$ 105,350</u>	 <u>\$ 366,186</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>\$ 122,027</u>	 <u>\$ (244,418)</u>	 <u>\$ (95,328)</u>	 <u>\$ (217,719)</u>
<b>Other Financing Sources:</b>				
Transfers in	<u>\$ 35,188</u>	<u>\$ 248,183</u>	<u>\$ 106,000</u>	<u>\$ 389,371</u>
 Total Other Financing Sources	 <u>\$ 35,188</u>	 <u>\$ 248,183</u>	 <u>\$ 106,000</u>	 <u>\$ 389,371</u>
 Net Change in Fund Balances	 <u>\$ 157,215</u>	 <u>\$ 3,765</u>	 <u>\$ 10,672</u>	 <u>\$ 171,652</u>
 Fund Balances - Beginning of Year	 <u>332,387</u>	 <u>15,602</u>	 <u>128,209</u>	 <u>476,198</u>
 FUND BALANCES - END OF YEAR	 <u>\$ 489,602</u>	 <u>\$ 19,367</u>	 <u>\$ 138,881</u>	 <u>\$ 647,850</u>

**CITY OF NEW BUFFALO  
NONMAJOR SPECIAL REVENUE FUNDS  
Combining Balance Sheet  
June 30, 2015**

	<u>Park Improvement</u>	<u>Harbor Dredging</u>	<u>Criminal Justice Training</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 203,155	\$ 279,742	\$ 14,205	\$ 497,102
Taxes receivable	<u>114</u>	<u>-</u>	<u>-</u>	<u>114</u>
 TOTAL ASSETS	 <u>\$ 203,269</u>	 <u>\$ 279,742</u>	 <u>\$ 14,205</u>	 <u>\$ 497,216</u>
<b>Liabilities, Deferred Inflow of Resources, and Fund Balances</b>				
Liabilities:				
Accounts payable	<u>\$ 7,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,500</u>
Deferred Inflow of Resources:				
Unavailable revenue - property taxes	<u>\$ 114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114</u>
Fund Balances:				
Restricted for:				
Park improvements	\$ 195,655	\$ -	\$ -	\$ 195,655
Assigned for:				
Harbor dredging	-	279,742	-	279,742
Criminal justice training	<u>-</u>	<u>-</u>	<u>14,205</u>	<u>14,205</u>
 Total Fund Balances	 <u>\$ 195,655</u>	 <u>\$ 279,742</u>	 <u>\$ 14,205</u>	 <u>\$ 489,602</u>
 TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES	 <u>\$ 203,269</u>	 <u>\$ 279,742</u>	 <u>\$ 14,205</u>	 <u>\$ 497,216</u>

**CITY OF NEW BUFFALO**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**Combining Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances**  
**For the Year Ended June 30, 2015**

	<u>Park Improvement</u>	<u>Harbor Dredging</u>	<u>Criminal Justice Training</u>	<u>Total</u>
<b>Revenues:</b>				
Taxes	\$ 96,882	\$ -	\$ -	\$ 96,882
State revenue	-	-	1,757	1,757
Interest and rents	185	255	7	447
Other	<u>-</u>	<u>39,356</u>	<u>-</u>	<u>39,356</u>
Total Revenues	<u>\$ 97,067</u>	<u>\$ 39,611</u>	<u>\$ 1,764</u>	<u>\$ 138,442</u>
<b>Expenditures:</b>				
Public Safety:				
Other services and charges	\$ -	\$ -	\$ 1,765	\$ 1,765
Recreation and Culture:				
Other services and charges	100	-	-	100
Capital outlay	<u>14,550</u>	<u>-</u>	<u>-</u>	<u>14,550</u>
Total Expenditures	<u>\$ 14,650</u>	<u>\$ -</u>	<u>\$ 1,765</u>	<u>\$ 16,415</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 82,417</u>	<u>\$ 39,611</u>	<u>\$ (1)</u>	<u>\$ 122,027</u>
<b>Other Financing Sources:</b>				
Transfers in	<u>\$ -</u>	<u>\$ 35,188</u>	<u>\$ -</u>	<u>\$ 35,188</u>
Total Other Financing Sources	<u>\$ -</u>	<u>\$ 35,188</u>	<u>\$ -</u>	<u>\$ 35,188</u>
Net Change in Fund Balances	\$ 82,417	\$ 74,799	\$ (1)	\$ 157,215
Fund Balances - Beginning of Year	<u>113,238</u>	<u>204,943</u>	<u>14,206</u>	<u>332,387</u>
FUND BALANCES - END OF YEAR	<u>\$ 195,655</u>	<u>\$ 279,742</u>	<u>\$ 14,205</u>	<u>\$ 489,602</u>

**CITY OF NEW BUFFALO  
NONMAJOR DEBT SERVICE FUNDS  
Combining Balance Sheet  
June 30, 2015**

	<b><u>Debt Service Fund</u></b>	<b><u>Building Authority</u></b>	<b><u>Total</u></b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,027	\$ 17,715	\$ 19,742
TOTAL ASSETS	<u>\$ 2,027</u>	<u>\$ 17,715</u>	<u>\$ 19,742</u>
<b>Liabilities and Fund Balance</b>			
Current Liabilities:			
Due to other funds	\$ -	\$ 375	\$ 375
Total Liabilities	<u>\$ -</u>	<u>\$ 375</u>	<u>\$ 375</u>
Fund Balances:			
Restricted for:			
Debt service	\$ 2,027	\$ 17,340	\$ 19,367
Total Fund Balance	<u>\$ 2,027</u>	<u>\$ 17,340</u>	<u>\$ 19,367</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,027</u>	<u>\$ 17,715</u>	<u>\$ 19,742</u>

**CITY OF NEW BUFFALO  
NONMAJOR DEBT SERVICE FUNDS  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
For the Year Ended June 30, 2015**

	<u>Debt Service Fund</u>	<u>Building Authority</u>	<u>Total</u>
<b>Revenues:</b>			
Interest and rents	\$ -	\$ 3	\$ 3
 Total Revenues	 \$ -	 \$ 3	 \$ 3
<b>Expenditures:</b>			
Debt service:			
Principal	\$ 95,000	\$ 115,000	\$ 210,000
Interest and fiscal charges	<u>17,065</u>	<u>17,356</u>	<u>34,421</u>
 Total Expenditures	 \$ 112,065	 \$ 132,356	 \$ 244,421
 Expenditures in Excess of Revenues	 \$ (112,065)	 \$ (132,353)	 \$ (244,418)
<b>Other Financing Sources:</b>			
Transfers in	<u>\$ 113,183</u>	<u>\$ 135,000</u>	<u>\$ 248,183</u>
 Total Other Financing Sources	 \$ 113,183	 \$ 135,000	 \$ 248,183
 Net Change in Fund Balances	 \$ 1,118	 \$ 2,647	 \$ 3,765
Fund Balances - Beginning of Year	<u>909</u>	<u>14,693</u>	<u>15,602</u>
 FUND BALANCES - END OF YEAR	 <u>\$ 2,027</u>	 <u>\$ 17,340</u>	 <u>\$ 19,367</u>

**CITY OF NEW BUFFALO  
AGENCY FUNDS  
Combining Statement of Net Position  
June 30, 2015**

	<b>Treasurer's Tax Fund</b>	<b>Trust and Agency Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 4,384	\$ 4,222	\$ 8,606
TOTAL ASSETS	<u>\$ 4,384</u>	<u>\$ 4,222</u>	<u>\$ 8,606</u>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 4,219	\$ 4,219
Due to other funds	<u>4,384</u>	<u>3</u>	<u>4,387</u>
TOTAL LIABILITIES	<u>\$ 4,384</u>	<u>\$ 4,222</u>	<u>\$ 8,606</u>

**CITY OF NEW BUFFALO**  
**Schedule of Capital Improvement Bonds, Series 2007**  
**June 30, 2015**

<u>Year Ended June 30,</u>	<u>Interest Rate</u>	<u>Annual Debt Service</u>	<u>Interest</u>		<u>Principal October 1</u>	<u>Balance</u>
			<u>October 1</u>	<u>April 1</u>		
2016	4.25%	\$ 21,465	\$ 940	\$ 525	\$ 20,000	\$ 25,000
2017	4.30%	<u>25,525</u>	<u>525</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
		<u>\$ 46,990</u>	<u>\$ 1,465</u>	<u>\$ 525</u>	<u>\$ 45,000</u>	



**CITY OF NEW BUFFALO**  
**Schedule of 1997 Building Authority Bonds**  
**June 30, 2015**

<u>Year Ended June 30,</u>	<u>Interest Rate</u>	<u>Annual Debt Service</u>	<u>Interest</u>		<u>Principal September 1</u>	<u>Balance</u>
			<u>September 1</u>	<u>March 1</u>		
2016	5.40%	\$ 130,260	\$ 6,750	\$ 3,510	\$ 120,000	\$ 130,000
2017	5.40%	<u>133,510</u>	<u>3,510</u>	<u>-</u>	<u>130,000</u>	-
		<u>\$ 263,770</u>	<u>\$ 10,260</u>	<u>\$ 3,510</u>	<u>\$ 250,000</u>	

**CITY OF NEW BUFFALO**  
**Schedule of Capital Improvement Bonds, Series 2005**  
**June 30, 2015**

<u>Year Ended June 30,</u>	<u>Interest Rate</u>	<u>Annual Debt Service</u>	<u>Interest</u>		<u>Principal October 1</u>	<u>Balance</u>
			<u>October 1</u>	<u>April 1</u>		
2016	4.65%	\$ 35,814	\$ 814	\$ -	\$ 35,000	0.00
		<u>\$ 35,814</u>	<u>\$ 814</u>	<u>\$ -</u>	<u>\$ 35,000</u>	

**CITY OF NEW BUFFALO**  
**Schedule of Capital Improvement Bonds, Series 2010**  
**June 30, 2015**

<u>Year Ended June 30,</u>	<u>Interest Rate</u>	<u>Annual Debt Service</u>	<u>Interest</u>		<u>Principal October 1</u>	<u>Balance</u>
			<u>October 1</u>	<u>April 1</u>		
2016	4.00%	\$ 53,938	\$ 4,908	\$ 4,030	\$ 45,000	\$ 190,000
2017	4.00%	52,138	4,030	3,108	45,000	145,000
2018	4.15%	50,270	3,108	2,162	45,000	100,000
2019	4.20%	53,250	2,162	1,088	50,000	50,000
2020	4.25%	<u>51,088</u>	<u>1,088</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
		<u>\$ 260,684</u>	<u>\$ 15,296</u>	<u>\$ 10,388</u>	<u>\$ 235,000</u>	

**CITY OF NEW BUFFALO**  
**Schedule of General Obligation Limited Tax Bond - GRSD**  
**June 30, 2015**

<u>Year Ended June 30,</u>	<u>Interest Rate</u>	<u>Annual Debt Service</u>	<u>Interest</u>		<u>Principal November 1</u>	<u>Balance</u>
			<u>November 1</u>	<u>May 1</u>		
2016	2.000%	\$ 97,801	\$ 16,284	\$ 15,625	\$ 65,892	\$ 1,013,574
2017	2.000%	97,443	15,625	14,957	66,861	946,713
2018	2.000%	97,064	14,956	14,278	67,830	878,883
2019	2.000%	96,667	14,278	13,590	68,799	810,084
2020	2.000%	97,210	13,590	12,883	70,737	739,347
2021	3.000%	96,396	12,883	11,807	71,706	667,641
2022	2.000%	96,522	11,807	11,071	73,644	593,997
2023	3.000%	97,545	11,071	9,923	76,551	517,446
2024	4.000%	96,764	9,922	8,353	78,489	438,957
2025	4.000%	96,474	8,353	6,725	81,396	357,561
2026	4.000%	97,443	6,725	5,446	85,272	272,289
2027	4.000%	96,358	5,446	3,702	87,210	185,079
2028	4.000%	96,667	3,701	1,880	91,086	93,993
2029	4.000%	95,873	1,880	-	93,993	-
		<u>\$ 1,356,227</u>	<u>\$ 146,521</u>	<u>\$ 130,240</u>	<u>\$ 1,079,466</u>	

**CITY OF NEW BUFFALO**  
**Schedule of Capital Lease Agreement**  
**June 30, 2015**

<u>Year Ended June 30,</u>	<u>Interest Rate</u>	<u>Annual Debt Service</u>	<u>Interest</u>		<u>Principal October 1</u>	<u>Balance</u>
			<u>October 1</u>	<u>April 1</u>		
2016	2.50%	\$ 101,873	\$ 16,374	\$ 15,499	\$ 70,000	\$ 1,239,924
2017	2.50%	100,123	15,499	14,624	70,000	1,169,924
2018	2.50%	98,373	14,624	13,749	70,000	1,099,924
2019	2.50%	101,561	13,749	12,812	75,000	1,024,924
2020	2.50%	99,686	12,812	11,874	75,000	949,924
2021	2.50%	97,811	11,874	10,937	75,000	874,924
2022	2.50%	100,874	10,937	9,937	80,000	794,924
2023	2.50%	98,874	9,937	8,937	80,000	714,924
2024	2.50%	96,874	8,937	7,937	80,000	634,924
2025	2.50%	99,811	7,937	6,874	85,000	549,924
2026	2.50%	97,686	6,874	5,812	85,000	464,924
2027	2.50%	95,561	5,812	4,749	85,000	379,924
2028	2.50%	98,373	4,749	3,624	90,000	289,924
2029	2.50%	101,061	3,624	2,437	95,000	194,924
2030	2.50%	98,686	2,437	1,249	95,000	99,924
2031	2.50%	101,173	1,249	-	99,924	-
		<u>\$ 1,588,400</u>	<u>\$ 147,425</u>	<u>\$ 131,051</u>	<u>\$ 1,309,924</u>	

November 13, 2015

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the City Commission  
City of New Buffalo, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Buffalo, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of New Buffalo's basic financial statements and have issued our report thereon dated November 13, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of New Buffalo's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of New Buffalo's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of New Buffalo's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS - Continued**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of New Buffalo's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Beibel & Company, P.C.*

**CITY OF NEW BUFFALO  
Schedule of Findings and Responses  
Year Ended June 30, 2015**

**Financial Statement Findings**

No Findings

**Schedule of Prior Year Findings and Responses**

No Findings





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Fifth Third Bank Building, Fourth Floor  
830 Pleasant Street, P.O. Box 44  
St. Joseph, Michigan 49085

November 13, 2015

To the City Commission  
of the City of New Buffalo, Michigan

In connection with our audit of the financial statements of the City of New Buffalo for the year ended June 30, 2015, we offer the following comment and recommendation:

- The City's administration and accounting personnel displayed a high level of dedication and cooperation in performing their duties and assisting us in completing ours.
- We appreciate the cooperation and courtesy extended to us by the officials and employees of the City of New Buffalo and trust that these comments will be received in the spirit of cooperation in which they are offered.

If we can be of any assistance, or if you have any questions regarding these or any other matters, please feel free to contact us.

Sincerely,

A handwritten signature in cursive script that reads "Gerbel &amp; Company, P.C."

Gerbel & Company, P.C.  
Certified Public Accountants

RIGHT. ON TIME.



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St. Joseph, Michigan 49085

November 13, 2015

## **Communication with Those Charged with Governance at the Conclusion of the Audit**

To the City Commission  
of the City of New Buffalo, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Buffalo for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government 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 October 7, 2015. 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 of New Buffalo are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City of New Buffalo 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 estimate(s) affecting the governmental activities' financial statements was:

Management's estimate of the net pension liability is based on actuarial present value of the projected benefits and the estimate of the City's proportionate share of the plans entire net pension liability. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We noted no disclosures that we consider to be particularly sensitive.

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

**RIGHT. ON TIME.**

### *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 13, 2015.

### *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 of New Buffalo'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 of New Buffalo's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We applied certain limited procedures to Management's Discussion and Analysis, defined benefit pension information, and Budgetary Comparison Information, 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 not engaged to report on supporting schedules, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

**Restriction on Use**

This information is intended solely for the use of the City Commission 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.

Sincerely,

*Gerbel & Company, P.C.*  
Gerbel & Company, P.C.  
Certified Public Accountants