

**Village of Newberry, Michigan**

**BASIC FINANCIAL STATEMENTS**

**December 31, 2020**

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**INDEPENDENT AUDITOR'S REPORT**

Honorable President and Members  
of the Village Council  
Village of Newberry, 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 Village of Newberry, Michigan, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Village of Newberry, Michigan'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 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.

Honorable President and Members  
of the Village Council

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Newberry, Michigan, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, employee retirement and benefit systems, and budgetary comparison information on pages 4 through 9, pages 41 through 43, and pages 44 through 47 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 Village of Newberry, Michigan's basic financial statements. The schedule of bond covenant cash reserves and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Honorable President and Members  
of the Village Council

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standard*, we have also issued our report dated August 25, 2021, on our consideration of the Village of Newberry, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of Newberry, Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Newberry, Michigan's internal control over financial reporting and compliance.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**  
**Kincheloe, Michigan**

August 25, 2021

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

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As management of the Village of Newberry, Michigan (the "Village"), we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

**Financial Highlights**

- The net position of the Village at the close of 2020 was \$8,603,121. Of this amount, \$91,253 is unrestricted net position.
- The Village's total net position increased \$1,397,932 which comprised of a decrease of \$20,038 related to a prior period adjustment for the correction of capital assets and an increase of \$1,417,970 related to net current year activities.
- At the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,901,946. 60% of the ending fund balance or \$1,129,339 is unassigned fund balance.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise five components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to financial statements, 4) required supplementary information, and 5) other information.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include legislative, general government, public safety, public works including major and local street maintenance, and recreation and culture activities. The business-type activities of the Village include water, sewage, and electric operations.

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



Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Village maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General, Major Streets, and Local Street, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Village adopts an annual appropriated budget for its General and Special Revenue Funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Proprietary funds. The Village maintains one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewage and electric funds, which are all considered major funds of the Village.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI). RSI includes this management discussion and analysis, along with the schedules of funding progress and employer contributions for the Village's defined benefit pension plan, retiree health plan, and budgetary comparison schedules.

**Other information.** The bond reserve schedule and combining fund financial statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements.

**Government-wide Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets and deferred outflows exceeded liabilities and deferred inflows by \$8,603,121 at the close of fiscal year 2020.

**Village of Newberry  
Condensed Statement of Net Position**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current Assets	\$ 1,971,949	\$ 1,609,290	\$ 3,082,431	\$ 2,458,639	\$ 5,054,380	\$ 4,067,929
Capital and Other Assets	973,724	625,321	16,653,662	17,602,699	17,627,386	18,228,020
<b>Total Assets</b>	<b>2,945,673</b>	<b>2,234,611</b>	<b>19,736,093</b>	<b>20,061,338</b>	<b>22,681,766</b>	<b>22,295,949</b>
Deferred Outflows of Resources	105,322	76,676	26,331	19,169	131,653	95,845
Current Liabilities	26,353	15,018	673,968	719,521	700,321	734,539
Noncurrent Liabilities	1,652,864	1,599,917	11,767,083	12,852,149	13,419,947	14,452,066
<b>Total Liabilities</b>	<b>1,679,217</b>	<b>1,614,935</b>	<b>12,441,051</b>	<b>13,571,670</b>	<b>14,120,268</b>	<b>15,186,605</b>
Deferred Inflows of Resources	72,024	-	18,006	-	90,030	-
Net Position						
Net Investment in Capital Assets	973,724	622,278	5,531,662	4,834,679	6,505,386	5,456,957
Restricted	695,935	532,180	1,310,547	489,008	2,006,482	1,021,188
Unrestricted	(369,905)	(458,106)	461,158	1,185,150	91,253	727,044
<b>Total Net Position</b>	<b>\$ 1,299,754</b>	<b>\$ 696,352</b>	<b>\$ 7,303,367</b>	<b>\$ 6,508,837</b>	<b>\$ 8,603,121</b>	<b>\$ 7,205,189</b>

Approximately 76% of the Village's net position reflects its net investment in capital assets (e.g., land, buildings, equipment and vehicles). The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position represents approximately 23% of total net position. The remaining balance of unrestricted net position is \$91,253 or 1%.

Village of Newberry  
Condensed Statement of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program Revenues						
Charges for Services	\$ 186,734	\$ 188,954	\$ 4,059,948	\$ 4,431,870	\$ 4,246,682	\$ 4,620,824
Operating Grants and Contributions	318,128	36,911	-	-	318,128	36,911
Capital Grants and Contributions	-	129,250	159,310	-	159,310	129,250
General Revenues						
Property Taxes	366,992	373,626	-	-	366,992	373,626
State Revenue Sharing	169,431	445,376	-	-	169,431	445,376
Gain on Sale of Capital Assets	12,594	-	-	-	12,594	-
Investment Earnings	9,795	19,494	3,073	3,222	12,868	22,716
Other	614,134	460,057	-	-	614,134	460,057
Total Revenues	1,677,808	1,653,668	4,222,331	4,435,092	5,900,139	6,088,760
Program Expenses						
General Government	308,884	309,380	-	-	308,884	309,380
Public Safety	182,658	34,888	-	-	182,658	34,888
Public Works	520,832	836,785	-	-	520,832	836,785
Recreation and Cultural	41,994	6,231	-	-	41,994	6,231
Electric	-	-	1,680,425	1,757,915	1,680,425	1,757,915
Water	-	-	784,698	942,466	784,698	942,466
Sewage	-	-	962,678	972,748	962,678	972,748
Total Expenses	1,054,368	1,187,284	3,427,801	3,673,129	4,482,169	4,860,413
Change in Net Position	623,440	466,384	794,530	761,963	1,417,970	1,228,347
Net Position - Beginning (as Restated)	676,314	229,968	6,508,837	5,746,874	7,185,151	5,976,842
Net Position - Ending	\$ 1,299,754	\$ 696,352	\$ 7,303,367	\$ 6,508,837	\$ 8,603,121	\$ 7,205,189

**Governmental Activities**

Governmental activities increased the Village's net position by \$603,402, of which \$20,038 is a negative prior period adjustment for correction of depreciation on capital assets.

The remaining increase in governmental activities is primarily caused by an increase in other revenues related to insurance proceeds and operating grants.

**Business-Type Activities**

Business-type activities increase the Village's net position by \$794,530.

All revenues for the business type-activities resulted from charges for services and grants and contributions.

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

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the primary operating fund of the Village. The General Fund's fund balance increased by \$182,254 from \$1,040,402 to \$1,222,656 during 2020. The increase was primarily related to increases in multiple revenue areas.

Proprietary funds. The Village's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Village's Electric, Water and Sewage proprietary funds at the end of the year amounted to \$247,501, \$365,990 and \$(152,333) respectively. The Electric Fund had an increase in net position for the year of \$392,733. This increase in net position is down from the prior year due to a decrease in charges for services. The Water fund has an increase in net position for the year of \$91,033, which is up from the prior year as a result of a decrease in personnel services due to turnover in the year. The Sewage Fund had an increase in net position of \$310,764, which is comparable and consistent with the prior year and not attributable to a specific event.

**General Fund Budgetary Highlights**

The annual Budget Review highlights the proposed budget for each fiscal year and expounds upon the major budget issues. Management compares actual expenditures to budgeted amounts to determine whether amendments are required. The Village did amend the 2020 budget; however, the Village ended the year with excess of expenditures over appropriations in one function.

During the year, the actual total revenues were more than the final budgeted amount by \$139,697 and the actual total expenditures were less than the final budgeted amount by \$52,507. The revenue variance is mainly the result of insurance proceeds for damage to a Village building. The expense variance is primarily attributable to higher capital outlay expenditures related to the damage than originally budgeted for in 2020.

**Capital Asset and Debt Administration**

Capital assets. The Village defines a capital asset as an asset with an original cost that exceeds \$500 and an estimated useful life greater than one year. Included in the cost of a capital asset are items such as labor and freight and any other costs associated with bringing the asset into full operation. Assets are depreciated using the straight-line method over the course of their estimated useful lives.

Major capital asset events during the current fiscal year included the following:

- Construction for a DPW building and new office equipment for business-type. A portion of the construction of the DPW building and improvements to the Village front office in governmental funds.

Village of Newberry  
Capital Assets  
(net of depreciation, where applicable)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 5,773	\$ 5,773	\$ 15,204	\$ 15,204	\$ 20,977	\$ 20,977
Land Improvements	189,095	220,140	-	-	189,095	220,140
Buildings and Improvements	494,239	117,330	80,196	17,820	574,435	135,150
Vehicles and Equipment	215,273	201,023	246,822	259,749	462,095	460,772
Infrastructure	69,344	78,012	15,987	17,985	85,331	95,997
Electric System	-	-	1,758,019	1,812,183	1,758,019	1,812,183
Sewer System	-	-	5,040,567	5,187,700	5,040,567	5,187,700
Water System	-	-	8,902,507	9,177,038	8,902,507	9,177,038
Net Capital Assets	<u>\$ 973,724</u>	<u>\$ 622,278</u>	<u>\$ 16,059,302</u>	<u>\$ 16,487,679</u>	<u>\$ 17,033,026</u>	<u>\$ 17,109,957</u>

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

**Long-term debt.** Debt incurred in the course of constructing or acquiring a capital asset is recorded and paid through a debt service fund or proprietary fund. Debt classified as long-term if the debt matures in a period greater than one year. At the end of the current fiscal year, the Village had total debt outstanding of \$11,122,000, all of which is debt of business-type activities.

The Village’s total debt decreased by \$531,000 during the current fiscal year. The Village also has an OPEB obligation in the amount of \$682,638 and a Pension obligation of \$2,012,179.

Additional information on the Village’s long-term debt can be found in the notes to financial statements.

**Economic Factors and Next Year’s Budgets and Rates**

In the upcoming year, the Village will again be closely monitoring its budget as revenues will remain relatively the same and the Village will continue to try to cut expenses.

**Contacting the Village’s Management**

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Village’s finances and to demonstrate the Village’s accountability for the revenues it receives. If you have any questions about this report or need additional information, we welcome you to contact the Village Manager’s office at (906) 293-5681.

## **Basic Financial Statements**

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	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS:</b>			
Cash and Cash Equivalents - Unrestricted	\$ 1,212,933	\$ 1,502,628	\$ 2,715,561
Cash and Cash Equivalents - Restricted	-	1,417,201	1,417,201
Accounts Receivable	50,159	282,629	332,788
Taxes Receivable	45,993	-	45,993
Prepaid Items	12,663	41,360	54,023
Due from Other Governmental Units	158,890	329,924	488,814
Internal Balances	491,311	(491,311)	-
Capital Credits in Coop	-	594,360	594,360
Capital Assets (Not Depreciated)	5,773	15,204	20,977
Capital Assets (Depreciated)	967,951	16,044,098	17,012,049
<b>TOTAL ASSETS</b>	<b>2,945,673</b>	<b>19,736,093</b>	<b>22,681,766</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension Investment Experience and Contributions	105,322	26,331	131,653
<b>LIABILITIES:</b>			
Accounts Payable	17,692	82,213	99,905
Accrued Liabilities	6,542	13,974	20,516
Accrued Interest Payable	-	72,155	72,155
Due to Other Governmental Units	2,119	-	2,119
Customer Deposits	-	45,626	45,626
Bonds Payable - Due within one year	-	460,000	460,000
Bonds Payable - Due in more than one year	-	10,662,000	10,662,000
Net Pension Liability - Due in more than one year	1,608,878	403,301	2,012,179
Vested Employee Benefits - Due in more than one year	16,681	46,449	63,130
OPEB Obligation - Due in more than one year	27,305	655,333	682,638
<b>TOTAL LIABILITIES</b>	<b>1,679,217</b>	<b>12,441,051</b>	<b>14,120,268</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension Investment Experience and Contributions	72,024	18,006	90,030
<b>NET POSITION:</b>			
Net Investment in Capital Assets	973,724	5,531,662	6,505,386
Restricted for Special Revenue	695,935	-	695,935
Restricted for Bond Reserves	-	1,310,547	1,310,547
Unrestricted	(369,905)	461,158	91,253
<b>TOTAL NET POSITION</b>	<b>\$ 1,299,754</b>	<b>\$ 7,303,367</b>	<b>\$ 8,603,121</b>

# Village of Newberry, Michigan

## Statement of Activities For the Year Ended December 31, 2020

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
General Government	\$ 308,884	\$ 106,187	\$ 66,495	\$ -	\$ (136,202)	\$ -	\$ (136,202)
Public Safety	182,658	80,547	2,307	-	(99,804)	-	(99,804)
Public Works	520,832	-	248,336	-	(272,496)	-	(272,496)
Recreation and Culture	41,994	-	990	-	(41,004)	-	(41,004)
Total Governmental Activities	<u>1,054,368</u>	<u>186,734</u>	<u>318,128</u>	<u>-</u>	<u>(549,506)</u>	<u>-</u>	<u>(549,506)</u>
<b>Business-type Activities:</b>							
Electric	1,680,425	2,072,561	-	-	-	392,136	392,136
Water	784,698	873,675	-	-	-	88,977	88,977
Sewage	962,678	1,113,712	-	159,310	-	310,344	310,344
Total Business-type Activities	<u>3,427,801</u>	<u>4,059,948</u>	<u>-</u>	<u>159,310</u>	<u>-</u>	<u>791,457</u>	<u>791,457</u>
Total Primary Government	<u>\$ 4,482,169</u>	<u>\$ 4,246,682</u>	<u>\$ 318,128</u>	<u>\$ 159,310</u>	<u>(549,506)</u>	<u>791,457</u>	<u>241,951</u>
<b>General Revenues and Transfers:</b>							
Property Taxes					366,992	-	366,992
State Revenue Sharing					169,431	-	169,431
Gain on Sale of Capital Assets					12,594	-	12,594
Other Revenues					614,134	-	614,134
Interest on Deposits					9,795	3,073	12,868
Total General Revenues and Transfers					<u>1,172,946</u>	<u>3,073</u>	<u>1,176,019</u>
Change in Net Position					623,440	794,530	1,417,970
Net Position - Beginning (as Restated, See Note 15)					<u>676,314</u>	<u>6,508,837</u>	<u>7,185,151</u>
<b>Net Position - Ending</b>					<u>\$ 1,299,754</u>	<u>\$ 7,303,367</u>	<u>\$ 8,603,121</u>

See accompanying notes to financial statements.



# Village of Newberry, Michigan

## Balance Sheet Governmental Funds December 31, 2020

	General Fund	Major Street Fund	Local Street Fund	Nonmajor Governmental Funds	Total
<b>ASSETS:</b>					
Cash and Equivalents	\$ 624,609	\$ 132,095	\$ 128,414	\$ 327,815	\$ 1,212,933
Accounts Receivable	9,705	-	-	40,454	50,159
Taxes Receivable	31,373	-	10,321	4,299	45,993
Prepaid Items	6,773	-	-	5,890	12,663
Due From Other Funds	947,866	239,499	76,509	109,095	1,372,969
Due From Other Governmental Units	79,751	25,207	10,082	43,850	158,890
	<u>79,751</u>	<u>25,207</u>	<u>10,082</u>	<u>43,850</u>	<u>158,890</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,700,077</u></u>	<u><u>\$ 396,801</u></u>	<u><u>\$ 225,326</u></u>	<u><u>\$ 531,403</u></u>	<u><u>\$ 2,853,607</u></u>
<b>LIABILITIES:</b>					
Accounts Payable	\$ 17,492	\$ -	\$ -	\$ 200	\$ 17,692
Accrued Liabilities	6,488	54	-	-	6,542
Due to Other Funds	407,672	62,587	32,850	378,549	881,658
Due to Other Government Units	2,119	-	-	-	2,119
	<u>2,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,119</u>
<b>TOTAL LIABILITIES</b>	<u>433,771</u>	<u>62,641</u>	<u>32,850</u>	<u>378,749</u>	<u>908,011</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenues	43,650	-	-	-	43,650
	<u>43,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,650</u>
<b>FUND BALANCES:</b>					
Nonspendable	6,773	-	-	5,890	12,663
Restricted	-	334,160	192,476	169,299	695,935
Assigned	64,009	-	-	-	64,009
Unassigned	1,151,874	-	-	(22,535)	1,129,339
	<u>1,151,874</u>	<u>-</u>	<u>-</u>	<u>(22,535)</u>	<u>1,129,339</u>
<b>TOTAL FUND BALANCES</b>	<u>1,222,656</u>	<u>334,160</u>	<u>192,476</u>	<u>152,654</u>	<u>1,901,946</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 1,700,077</u></u>	<u><u>\$ 396,801</u></u>	<u><u>\$ 225,326</u></u>	<u><u>\$ 531,403</u></u>	
<b>Reconciliation to amounts reported for governmental activities in the statement of net position:</b>					
Capital assets used by governmental activities					973,724
Other post employment benefits (OPEB)					(27,305)
Vested employee benefits					(16,681)
Unearned revenue					43,650
Net pension liability and related deferred outflows/inflows					(1,575,580)
<b>Net position of governmental activities</b>					<u><u>\$ 1,299,754</u></u>

# Village of Newberry, Michigan

## Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds For the Year Ended December 31, 2020

	General Fund	Major Street Fund	Local Street Fund	Nonmajor Governmental Funds	Total
<b>REVENUES:</b>					
Taxes	\$ 259,350	\$ -	\$ 77,516	\$ 30,126	\$ 366,992
Licenses and Permits	17,091	-	-	-	17,091
Federal Sources	14,745	-	-	-	14,745
State Sources	202,264	180,074	68,262	3,297	453,897
Charges for Services	89,005	-	-	80,547	169,552
Fines and Forfeits	91	-	-	-	91
Interest and Rents	9,508	-	-	287	9,795
Other Revenue	614,134	-	-	-	614,134
<b>TOTAL REVENUES</b>	<b>1,206,188</b>	<b>180,074</b>	<b>145,778</b>	<b>114,257</b>	<b>1,646,297</b>
<b>EXPENDITURES:</b>					
General Government	203,465	-	-	-	203,465
Public Safety	51,444	-	-	115,080	166,524
Public Works	316,230	90,926	82,877	-	490,033
Recreational and Cultural	6,537	-	-	11,819	18,356
Capital Outlay	451,149	-	-	-	451,149
<b>TOTAL EXPENDITURES</b>	<b>1,028,825</b>	<b>90,926</b>	<b>82,877</b>	<b>126,899</b>	<b>1,329,527</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>177,363</b>	<b>89,148</b>	<b>62,901</b>	<b>(12,642)</b>	<b>316,770</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Sale of Capital Assets	12,594	-	-	-	12,594
Transfers In	-	-	-	37,829	37,829
Transfers (Out)	(7,703)	-	-	(30,126)	(37,829)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>4,891</b>	<b>-</b>	<b>-</b>	<b>7,703</b>	<b>12,594</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>182,254</b>	<b>89,148</b>	<b>62,901</b>	<b>(4,939)</b>	<b>329,364</b>
FUND BALANCES, BEGINNING OF YEAR	1,040,402	245,012	129,575	157,593	1,572,582
FUND BALANCES, END OF YEAR	\$ 1,222,656	\$ 334,160	\$ 192,476	\$ 152,654	\$ 1,901,946

**Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended December 31, 2020**

Net changes in fund balances – total governmental funds \$ 329,364

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$451,149 exceeded depreciation expense (\$79,665). 371,484

Unavailable revenue in fund statement recorded as revenue in statement of activities. 18,917

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Vested employee benefits	\$	(11,723)	
Other post-employment benefits (OPEB)		5,472	
Net pension liability		(90,074)	
			(96,325)

Changes in net position of governmental activities \$ 623,440

# Village of Newberry, Michigan

## Statement of Net Position Proprietary Funds December 31, 2020

	Enterprise Funds			Total
	Electric	Water	Sewage	
<b>ASSETS:</b>				
Cash and Equivalents - Unrestricted	\$ 847,804	\$ 441,609	\$ 213,215	\$ 1,502,628
Cash and Equivalents - Restricted	106,654	1,008,234	302,313	1,417,201
Accounts Receivable	166,565	76,409	39,655	282,629
Prepaid Items	24,695	5,624	11,041	41,360
Due from Other Funds	62,818	35,799	22,736	121,353
Due from Governmental Units	-	-	329,924	329,924
Capital Credits in Coop	594,360	-	-	594,360
Capital Assets (Not Depreciated)	3,543	-	11,661	15,204
Capital Assets (Depreciated)	1,978,528	8,947,367	5,118,203	16,044,098
<b>TOTAL ASSETS</b>	<b>3,784,967</b>	<b>10,515,042</b>	<b>6,048,748</b>	<b>20,348,757</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Pension Investment Experience and Assumptions	26,331	-	-	26,331
<b>LIABILITIES:</b>				
Accounts Payable	74,286	991	6,936	82,213
Accrued Liabilities	11,473	322	2,179	13,974
Accrued Interest Payable	2,842	49,668	19,645	72,155
Due to Other Funds	85,166	133,991	393,507	612,664
Customer Deposits	45,626	-	-	45,626
Vested Employee Benefits - Due in more than one year	19,000	8,479	18,970	46,449
Bonds Payable - Due within one year	130,000	160,000	170,000	460,000
Bonds Payable - Due in more than one year	205,000	7,592,000	2,865,000	10,662,000
Net Pension Liability - Due in more than one year	403,301	-	-	403,301
OPEB Obligation - Due in more than one year	327,666	-	327,667	655,333
<b>TOTAL LIABILITIES</b>	<b>1,304,360</b>	<b>7,945,451</b>	<b>3,803,904</b>	<b>13,053,715</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Pension Items	18,006	-	-	18,006
<b>NET POSITION:</b>				
Net Investment in Capital Assets	2,241,431	1,195,367	2,094,864	5,531,662
Restricted	-	1,008,234	302,313	1,310,547
Unrestricted	247,501	365,990	(152,333)	461,158
<b>TOTAL NET POSITION</b>	<b>\$ 2,488,932</b>	<b>\$ 2,569,591</b>	<b>\$ 2,244,844</b>	<b>\$ 7,303,367</b>

# Village of Newberry, Michigan

## Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds For the Year Ended December 31, 2020

	Enterprise Funds			Total
	Electric	Water	Sewage	
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 2,072,561	\$ 873,675	\$ 1,113,712	\$ 4,059,948
<b>TOTAL OPERATING REVENUES</b>	<b>2,072,561</b>	<b>873,675</b>	<b>1,113,712</b>	<b>4,059,948</b>
<b>OPERATING EXPENSES:</b>				
Personnel Services	381,202	230,761	305,136	917,099
Supplies	16,094	10,964	40,329	67,387
Repairs and Maintenance	22,339	11,172	176,765	210,276
Contracted Services	94,536	18,086	123,682	236,304
Insurance	8,850	4,732	9,041	22,623
Depreciation	79,811	281,281	160,223	521,315
Utilities	1,004,958	3,886	59,921	1,068,765
Other Expenses	53,278	12,351	8,189	73,818
<b>TOTAL OPERATING EXPENSES</b>	<b>1,661,068</b>	<b>573,233</b>	<b>883,286</b>	<b>3,117,587</b>
<b>OPERATING INCOME (LOSS)</b>	<b>411,493</b>	<b>300,442</b>	<b>230,426</b>	<b>942,361</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
State Source	-	-	159,310	159,310
Interest Expense	(19,357)	(211,465)	(79,392)	(310,214)
Interest Income	597	2,056	420	3,073
Total Nonoperating Revenues (Expenses)	(18,760)	(209,409)	80,338	(147,831)
<b>CHANGES IN NET POSITION</b>	<b>392,733</b>	<b>91,033</b>	<b>310,764</b>	<b>794,530</b>
NET POSITION, JANUARY 1,	2,096,199	2,478,558	1,934,080	6,508,837
<b>NET POSITION, DECEMBER 31</b>	<b>\$ 2,488,932</b>	<b>\$ 2,569,591</b>	<b>\$ 2,244,844</b>	<b>\$ 7,303,367</b>

# Village of Newberry, Michigan

## Statement of Cash Flows Proprietary Funds For the Year Ended December 31, 2020

	Enterprise Funds			Total
	Electric	Water	Sewage	
<b>Cash Flows from Operating Activities:</b>				
Cash Receipts from Customers	\$ 2,136,397	\$ 906,122	\$ 1,155,155	\$ 4,197,674
Cash Payments to Employees for Services	(418,653)	(226,477)	(363,660)	(1,008,790)
Cash Payments to Other Suppliers of Goods or Services	(1,225,624)	(72,055)	(430,628)	(1,728,307)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>492,120</u>	<u>607,590</u>	<u>360,867</u>	<u>1,460,577</u>
<b>Cash Flows from Non Capital and Related Financing Activities:</b>				
State Sources	-	-	159,310	159,310
<b>Net Cash Provided (Used) by Non Capital and Related Financing Activities</b>	<u>-</u>	<u>-</u>	<u>159,310</u>	<u>159,310</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Principal Payments	(210,000)	(156,000)	(165,000)	(531,000)
Interest Payments	(19,357)	(211,465)	(79,392)	(310,214)
Coop Capital Credits	31,652	-	-	31,652
Purchase of Capital Assets	(46,919)	(21,613)	(24,406)	(92,938)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(244,624)</u>	<u>(389,078)</u>	<u>(268,798)</u>	<u>(902,500)</u>
<b>Cash Flows from Investing Activities:</b>				
Interest Received	597	2,056	420	3,073
<b>Net Cash Provided by Investing Activities</b>	<u>597</u>	<u>2,056</u>	<u>420</u>	<u>3,073</u>
Net Increase (Decrease) in Cash	248,093	220,568	251,799	720,460
Cash and Equivalents, Beginning of Year	706,365	1,229,275	263,729	2,199,369
<b>Cash and Equivalents, End of Year</b>	<u>\$ 954,458</u>	<u>\$ 1,449,843</u>	<u>\$ 515,528</u>	<u>\$ 2,919,829</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating Income (Loss)	\$ 411,493	\$ 300,442	\$ 230,426	\$ 942,361
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	79,811	281,281	160,223	521,315
Pension Expense	22,518	-	-	22,518
OPEB Expense	(65,660)	-	(65,660)	(131,320)
(Increase) Decrease in Assets				
Accounts Receivable	61,836	32,447	261,567	355,850
Due from Other Governmental Units	-	-	(220,124)	(220,124)
Prepaid Items	(24,695)	(5,624)	(11,041)	(41,360)
Increase (Decrease) in Liabilities:				
Accounts Payable	(874)	(5,240)	(1,660)	(7,774)
Accrued Liabilities	5,691	4,284	7,136	17,111
Customer Deposits	2,000	-	-	2,000
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 492,120</u>	<u>\$ 607,590</u>	<u>\$ 360,867</u>	<u>\$ 1,460,577</u>

## **Notes to Financial Statements**

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

The accounting policies of the Village of Newberry, Michigan, conform to U.S. generally accepted accounting principles as applicable to governmental units.

**A - Reporting Entity**

The financial statements of the Village contain all the Village funds that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of Newberry. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

**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. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. When both restricted and unrestricted resources are available for use, it is the Village's policy is to use restricted resources first, then unrestricted resources as needed.

**Fund Financial Statements.** The fund financial statements provide information about the Village's funds, including its fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Village reports the following major governmental funds:

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

The *Major Streets Fund* accounts for the use of motor fuel taxes which are restricted by State statutes for major street and highway purposes.

The *Local Streets Fund* accounts for the use of motor fuel taxes which are restricted by State statute for local street and highway purposes.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

The Village reports the following major enterprise funds:

*Electric.* This fund accounts for the operation, maintenance and development of the electric utility.

*Water.* This fund accounts for the operation, maintenance, and development of water utilities.

*Sewage.* This fund accounts for the operation, maintenance, and development of Village sewer utilities.

The Village reports the following fund types:

**Governmental Funds**

*Special Revenue Funds.* Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

*Capital Project Funds.* These funds account for the acquisition of capital assets or construction of major capital projects not financed by proprietary funds.

*Enterprise Funds.* Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

**C - Measurement Focus, Basis of Accounting and Financial Statement Presentation**

***Government-wide, Proprietary and Fiduciary Fund Financial Statements.*** The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Nonexchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

***Governmental Fund Financial Statements.*** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if they are collected within 60 days after year-end. Property taxes, state revenue, and interest are considered to be susceptible to accrual.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Under the terms of grant agreements, the Village funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Village's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

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

***Cash and Equivalents***

The Village maintains a cash pool for certain Village funds. Each fund's portion of the cash pool is displayed on the statement of net position/balance sheet as "Cash and Equivalents".

The Village's cash and equivalents include cash on hand, demand deposits and short-term investments with original maturities of six months or less from the date of acquisition.

State statutes authorize the Village to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, banker's acceptances, and mutual funds composed of otherwise legal investments.

***Receivables and Payables***

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

***Capital Assets***

Capital assets, which include buildings, improvements, infrastructure, equipment, vehicles, and electric, water and sewer systems, reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Village defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure	40-50 years
Buildings and Improvements	20-50 years
Land Improvements	20 years
Vehicles and Equipment	5-15 years
Electric, Water and Sewer Systems	40-50 years

***Restricted Assets***

Certain resources are set aside for repayment of the Village’s Water and Sewer Enterprise Fund revenue bonds and are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bond covenants.

***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 Pension Plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Deferred Outflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Village has pension items that qualify for reporting in this category.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)*****Deferred Inflows of Resources***

In addition to liabilities, the statement of net position and governmental funds 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 Village has pension items that qualify for reporting in this category.

***Vested Employee Benefits***

The liability for vested employee benefits reported in the government-wide statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

***Long-Term Obligations***

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

***Interfund Transfers***

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

***Property Taxes***

The Village's property taxes are levied each July 1 on the taxable valuation of property located in the Village as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through February 28; as of March 1, of the succeeding year, unpaid real property taxes are sold to and collected by Luce County. Assessed values, as established annually by the Village and subject to acceptance by the Village, are equalized by the State at an estimated 50% of current market value.

Property taxes are recognized in the fiscal year in which they are levied.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and inflows and affect the disclosure of contingent assets and liabilities at the date of financial statements. These estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

*Fund Balance Classification*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Village is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Village has \$12,663 of nonspendable for prepaid items.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Village has \$695,935 of restricted fund balance.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Village. These amounts cannot be used for any other purpose unless the Village removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the Village's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Village through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Village would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

***Budgetary Information***

Budgetary Information – Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Budgets and Budgetary Control – The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each April, after receiving input from the individual departments, the Village Manager prepares a proposed operating budget for the fiscal period commencing January 1 and lapses on December 31. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to January 1, the budget is legally enacted through a resolution passed by the Village Council.
- d. Budgetary control is exercised at the functional level of the General Fund. Any revisions that alter the total expenditures of any function or fund (i.e., budget amendments) require approval by the Village Council. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Village does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Village Council during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General Fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the functional level.

**NOTE 3 - CASH AND EQUIVALENTS:**

At year end, the Village’s cash and equivalents were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Cash and Equivalents – Unrestricted	\$ 1,212,933	\$ 1,502,628	\$ 2,715,561
Cash and Equivalents – Restricted	<u>-</u>	<u>1,417,201</u>	<u>1,417,201</u>
Total	<u>\$ 1,212,933</u>	<u>\$ 2,919,829</u>	<u>\$ 4,132,762</u>

The breakdown of cash and equivalents is as follows:

	<u>Primary Government</u>
Bank Deposits (checking and savings accounts, certificates of deposit and money market accounts)	\$ 4,132,512
Petty Cash and Cash on Hand	<u>250</u>
Total	<u>\$ 4,132,762</u>

*Interest rate risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Village’s investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* The Village’s investment policy does not have specific limits in excess of state law on investment credit risk. The Village has no investments for which ratings are required.

*Custodial credit risk.* Custodial credit risk is the risk that in the event of a bank failure, the Village’s deposits may not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. As of year end, \$3,298,572 of the Village’s bank balance of \$4,035,255 was exposed to credit risk because it was uninsured and uncollateralized.

*Fair value measurement.* The Village categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the measurements required judgement and considers factors specific to each asset or liability.

**NOTE 3 - CASH AND EQUIVALENTS: (Continued)**

Statutory Authority:

Public Act 152, entitled “An act relative to the investment of funds of public corporations of the state; and to validate certain investments,” by amending section 1 (MCL 129.91), as amended by 2009 PA 21.

Except as provided in section 5, the governing body by resolution may authorize its investment officer to invest the funds of that public corporation in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (5); or deposit accounts of a financial institution as provided in subsection (6).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers’ acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
  - (i) The purchase of securities on a when-issued or delayed delivery basis.
  - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
  - (iii) The limited ability to borrow and pledge a like portion of the portfolio’s assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Village’s deposits and investment policy are in accordance with statutory authority.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the Village and specific funds. They are recorded in Village records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.



**NOTE 4 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

The Village of Newberry reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net position/balance sheet for governmental funds, proprietary funds, and fiduciary funds.

Interfund balances at December 31, 2020 consisted of the following:

		DUE FROM OTHER FUNDS							
		General	Major Street	Local Street	Nonmajor Governmental	Electric	Water	Sewage	Total
<b>DUE TO OTHER FUNDS</b>	General	\$ -	\$ 25,206	\$ 10,082	\$ 360,334	\$ 26,660	\$ 132,077	\$ 393,507	\$ 947,866
	Major Street	239,499	-	-	-	-	-	-	239,499
	Local Street	74,595	-	-	-	-	1,914	-	76,509
	Nonmajor Governmental	93,578	-	-	15,517	-	-	-	109,095
	Electric	-	37,381	22,768	2,669	-	-	-	62,818
	Water	-	-	-	-	35,799	-	-	35,799
	Sewage	-	-	-	29	22,707	-	-	22,736
	<b>Total</b>	<u>\$ 407,672</u>	<u>\$ 62,587</u>	<u>\$ 32,850</u>	<u>\$ 378,549</u>	<u>\$ 85,166</u>	<u>\$ 133,991</u>	<u>\$ 393,507</u>	<u>\$ 1,494,322</u>

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

**NOTE 4 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS: (Continued)**

**Interfund Transfers**

TRANSFERS IN	TRANSFERS OUT	
		Nonmajor Governmental
General	\$	7,703
Nonmajor Governmental		<u>30,126</u>
Total	\$	<u>37,829</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended December 31, 2020, was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions/ Adjustments</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 5,773	\$ -	\$ -	\$ 5,773
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	869,687	386,837	-	1,256,524
Land Improvements	220,140	-	-	220,140
Infrastructure	173,360	-	-	173,360
Equipment	1,990,465	5,297	(37,555)	1,958,207
Vehicles	<u>284,633</u>	<u>59,015</u>	<u>-</u>	<u>343,648</u>
Subtotal	<u>3,538,285</u>	<u>451,149</u>	<u>(37,555)</u>	<u>3,951,879</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Improvements	(752,357)	(9,928)	-	(762,285)
Land Improvements	-	(11,007)	(20,038)	(31,045)
Infrastructure	(95,348)	(8,668)	-	(104,016)
Equipment	(1,810,417)	(31,836)	37,555	(1,804,698)
Vehicles	<u>(263,658)</u>	<u>(18,226)</u>	<u>-</u>	<u>(281,884)</u>
Subtotal	<u>(2,921,780)</u>	<u>(79,665)</u>	<u>17,517</u>	<u>(2,983,928)</u>
Net Capital Assets Being Depreciated	<u>616,505</u>	<u>371,484</u>	<u>(20,038)</u>	<u>967,951</u>
Capital Assets – Net	<u>\$ 622,278</u>	<u>\$ 371,484</u>	<u>\$ (20,038)</u>	<u>\$ 973,724</u>

**NOTE 5 - CAPITAL ASSETS: (Continued)**

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

Governmental Activities:		
General Government		\$ 9,094
Public Safety		16,134
Public Works		30,799
Recreation and Cultural		<u>23,638</u>
 Total Governmental Activities		 <u>\$ 79,665</u>

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions/ Adjustments</u>	<u>Ending Balances</u>
<b>Business-type activities:</b>				
<i>Capital assets not depreciated:</i>				
Land	\$ 15,204	\$ -	\$ -	\$ 15,204
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	221,320	63,562	-	284,882
Water System	11,752,610	-	-	11,752,610
Sewer System	7,267,114	-	-	7,267,114
Electric System	5,094,575	-	-	5,094,575
Infrastructure	85,526	-	-	85,526
Vehicles and Equipment	<u>950,726</u>	<u>29,376</u>	<u>-</u>	<u>980,102</u>
Subtotal	<u>25,371,871</u>	<u>92,938</u>	<u>-</u>	<u>25,464,809</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Improvements	(203,500)	(1,186)	-	(204,686)
Water System	(2,575,572)	(274,531)	-	(2,850,103)
Sewer System	(2,079,414)	(147,133)	-	(2,226,547)
Electric System	(3,282,392)	(54,164)	-	(3,336,556)
Infrastructure	(67,541)	(1,998)	-	(69,539)
Vehicles and Equipment	<u>(690,977)</u>	<u>(42,303)</u>	<u>-</u>	<u>(733,280)</u>
Subtotal	<u>(8,899,396)</u>	<u>(521,315)</u>	<u>-</u>	<u>(9,420,711)</u>
Net Capital Assets Being Depreciated	<u>16,472,475</u>	<u>(428,377)</u>	<u>-</u>	<u>16,044,098</u>
Capital Assets – Net	<u>\$ 16,487,679</u>	<u>\$ (428,377)</u>	<u>\$ -</u>	<u>\$ 16,059,302</u>

Depreciation expense was charged to business-type activities as follows:

Business-type Activities:		
Electric		\$ 79,811
Water		281,281
Sewage		<u>160,223</u>
 Total Business-type Activities		 <u>\$ 521,315</u>

**NOTE 6 - LONG-TERM DEBT:**

General Long-Term Debt - The bonds payable reflected in the basic financial statements consist of general obligation notes incurred by the Village of Newberry. The Village has pledged the general full faith and credit of the Village for the payment of principal and interest on the bonds.

Changes in long-term debt during the twelve months ending December 31, 2020 are summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Vested Employee Benefits	\$ 4,958	\$ 19,521	\$ 7,798	\$ 16,681	\$ -
<b>Business-type Activities:</b>					
2002 Limited Tax General Obligation Bonds, maturing serially to 2022 in annual amounts ranging from \$25,000 to \$65,000, bearing interest at 4.35% to 5.10%.	190,000	-	60,000	130,000	65,000
2003 Electric System Revenue Bonds, maturing serially to 2023 in annual amounts ranging from \$30,000 to \$70,000, bearing interest ranging from 2.0% to 5.125%.	265,000	-	60,000	205,000	65,000
2005 Water Supply System Revenue Bonds, maturing serially to 2045 in annual amounts ranging from \$20,000 to \$123,000, bearing interest of 4.125%.	1,912,000	-	39,000	1,873,000	41,000
2005 Electric System Revenue Bonds, maturing serially to 2023 in annual amounts ranging from \$50,000 to \$90,000, bearing interest ranging from 3.0% to 4.5%.	90,000	-	90,000	-	-
2009 Water Supply System Revenue Bonds, maturing serially to 2040 in annual amounts ranging from \$3,000 to \$16,000, bearing interest of 4.125%.	259,000	-	5,000	254,000	5,000
2014 Water Supply System Revenue Bond, Series 2014	5,737,000	-	112,000	5,625,000	114,000
2014 Sanitary Sewer System Revenue Bond, Series 2014	3,200,000	-	165,000	3,035,000	170,000
Vested Employee Benefits	20,869	75,011	49,431	46,449	-
Total Business-type Activities - Long-term Debt	<u>11,673,869</u>	<u>75,011</u>	<u>580,431</u>	<u>11,168,449</u>	<u>460,000</u>
<b>TOTAL LONG-TERM DEBT</b>	<u>\$ 11,678,827</u>	<u>\$ 94,532</u>	<u>\$ 588,229</u>	<u>\$ 11,185,130</u>	<u>\$ 460,000</u>

**NOTE 6 - LONG-TERM DEBT: (Continued)**

The annual principal and interest requirements for the years ending December 31, 2020 and after, excluding vested employee benefits are as follows:

Fiscal:	Business-type Activities Bonds Payable	
	Principal	Interest
2021	\$ 460,000	\$ 297,089
2022	474,000	281,913
2023	418,000	266,128
2024	360,000	253,365
2025	364,000	243,880
2026 – 2030	1,978,000	1,069,124
2031 – 2035	2,272,000	789,603
2036 – 2040	1,315,000	534,735
2041 – 2045	1,536,000	326,351
2046 – 2050	1,055,000	163,620
2051 – 2055	890,000	47,834
<b>TOTALS</b>	<b>\$ 11,122,000</b>	<b>\$ 4,273,642</b>

Interest expense of the business-type activities is included as a direct expense of water, sewage and electric operations.

**NOTE 7 - DEFERRED COMPENSATION PLAN:**

The Village offers all of its employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457. The assets of the plans are held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodians, thereof for the exclusive benefit of the participants, hold the custodial accounts for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the Village for the purposes of providing direction to the custodians of the custodial accounts from time to time for the investment of the funds held in the accounts, transfers of assets to or from the accounts and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Village’s financial statements.

**NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS:**

The Village participates in a statewide government agent multiple-employer public pension plan which covers substantially all employees.

**Defined Benefit Pension Plan**

Description of Plan and Plan Assets

The Village is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.25% and 2.50% for deputies, times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2020.

General Information about the Pension Plan

*Plan Description.* The employer'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).

<b>01 – General: Closed to new hires, linked to Division HA</b>	
	<b>2019 Valuation</b>
<b>Benefit Multiplier:</b>	2.00% Multiplier (no max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 Years
<b>Early Retirement (Unreduced):</b>	55/25
<b>Early Retirement (Reduced):</b>	50/25
	55/15
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions</b>	0%
<b>Act 88:</b>	Yes (Adopted 11/20/2017)

<b>02 – Police/Fire: Closed to new hires, linked to Division HA</b>	
	<b>2019 Valuation</b>
<b>Benefit Multiplier:</b>	2.25% Multiplier (80% max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 Years
<b>Early Retirement (Unreduced):</b>	55/25
<b>Early Retirement (Reduced):</b>	50/25
	55/15
<b>Final Average Compensation:</b>	3 years
<b>Employee Contributions</b>	0%
<b>Act 88:</b>	Yes (Adopted 11/20/2017)

NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT: (Continued)

<b>10 – Sprvsrs: Closed to new hires, linked to Division HA</b>	
	<u><b>2019 Valuation</b></u>
<b>Benefit Multiplier:</b>	2.50% Multiplier (80% max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 Years
<b>Early Retirement (Unreduced):</b>	55/25
<b>Early Retirement (Reduced):</b>	50/25
	55/15
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions</b>	0%
<b>Act 88:</b>	Yes (Adopted 11/20/2017)
<b>11 – Sprvs Lt&amp;Pwr: Closed to new hires, linked to Division HB</b>	
	<u><b>2019 Valuation</b></u>
<b>Benefit Multiplier:</b>	2.50% Multiplier (80% max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 Years
<b>Early Retirement (Unreduced):</b>	55/25
<b>Early Retirement (Reduced):</b>	50/25
	55/15
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions</b>	0%
<b>Act 88:</b>	Yes (Adopted 11/20/2017)
<b>12 – GnrL Lt&amp;Pwr: Closed to new hires, linked to Division HB</b>	
	<u><b>2019 Valuation</b></u>
<b>Benefit Multiplier:</b>	2.00% Multiplier (no max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	10 Years
<b>Early Retirement (Unreduced):</b>	55/25
<b>Early Retirement (Reduced):</b>	50/25
	55/15
<b>Final Average Compensation:</b>	5 years
<b>Employee Contributions</b>	0%
<b>Act 88:</b>	Yes (Adopted 11/20/2017)
<b>HA – All EE’s elig for pen aft 1/1/15: Open Division, linked to Division 01, 02, 10</b>	
	<u><b>2019 Valuation</b></u>
<b>Benefit Multiplier:</b>	1.25% Multiplier (no max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	6 Years
<b>Early Retirement (Unreduced):</b>	-
<b>Early Retirement (Reduced):</b>	-
<b>Final Average Compensation:</b>	3 years
<b>Employee Contributions</b>	0%
<b>Act 88:</b>	Yes (Adopted 11/20/2017)

**NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT: (Continued)**

**HB – All eligible L&P aft 1/1/15: Open Division, linked to Division 11, 12**

	<u>2019 Valuation</u>
<b>Benefit Multiplier:</b>	1.25% Multiplier (no max)
<b>Normal Retirement Age:</b>	60
<b>Vesting:</b>	6 Years
<b>Early Retirement (Unreduced):</b>	-
<b>Early Retirement (Reduced):</b>	-
<b>Final Average Compensation:</b>	3 years
<b>Employee Contributions</b>	0%
<b>Act 88:</b>	Yes (Adopted 11/20/2017)

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Village's collective bargaining unit and personnel policy, which requires employees to contribute to the plan. The Village is required to contribute at an actuarially determined rate.

General – Other	7.43%
General Light and Power	6.23%

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>14</u>
	<u><u>50</u></u>

Net Pension Liability

The Village's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

Inflation	2.50 %
Salary increases	3.00 %, in the long-term
Investment rate of return	7.35 %, net of investment expense, including inflation

Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend.



**NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT: (Continued)**

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.0%	3.70%
Global Fixed Income	20.0%	0.30%
Private Investments	20.0%	1.30%

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

**Changes in the Net Pension Liability:**

	<b>Increases (Decreases)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
<b>Balances at December 31, 2019</b>	\$ 4,788,175	\$ 2,834,366	\$ 1,953,809
Service cost	44,704	-	44,704
Interest on total pension liability	349,617	-	349,617
Difference between expected and actual experience	33,898	-	33,898
Changes in assumptions	146,595	-	146,595
Employer contributions	-	200,511	(200,511)
Net investment income	-	336,684	(336,684)
Benefit payments, including employee refunds	(420,613)	(420,613)	-
Administrative expense	-	(5,529)	5,529
Other changes	15,221	(1)	15,222
<b>Net changes</b>	<b>169,422</b>	<b>111,052</b>	<b>58,370</b>
<b>Balances as of December 31, 2020</b>	<b>\$ 4,957,597</b>	<b>\$ 2,945,418</b>	<b>\$ 2,012,179</b>

**NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT: (Continued)**

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the Village, calculated using the discount rate of 7.60%, as well as what the Village's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b>(6.60%)</b>	<b>(7.60%)</b>	<b>(8.60%)</b>
Village's net pension liability	\$2,462,215	\$2,012,179	\$1,624,464

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued MERS financial report.

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

For the year ended December 31, 2020, the Village recognized pension expense of \$313,102. At December 31, 2020, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 58,356	\$ -
Changes in assumptions	73,297	-
Net difference between projected and actual earnings on pension plan investments	-	90,030
Total	<u>\$ 131,653</u>	<u>\$ 90,030</u>

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

<u>Year Ended December 31:</u>	
2021	\$ 114,302
2022	11,757
2023	(57,106)
2024	(27,330)

**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB):**

**Summary of Significant Accounting Policies**

For purposes of measuring the net Other Post-Employment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Village of Newberry Retiree Health Care Plan and additions to/deductions from the Village’s fiduciary net position have been determined on the same basis as they are reported by the Village of Newberry. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

**Plan Description**

Village of Newberry Retiree Health Care Plan is a single employer plan established and administered by the Village of Newberry and can be amended at its discretion. The plan is closed to new entrants.

**Benefits Provided**

Future retiree – Eligible retiree has a stipend provided until age 65.

Current retiree – Benefits are based on the contracts or separation agreements that were in place at the time of retirement as follows:

- 3 retirees with current medical coverage and HAS reimbursement
- 6 retirees with a single or dual buyout amount for life subject to 0.5% annual increase
- 3 retirees with a single buyout amount until age 65
- Survivor benefit of a single buyout amount without annual increases for life is available for 2 retirees and one surviving spouse
- 2 retirees with life insurance coverage only; 8 additional retirees have life insurance coverage of varying duration and face value amounts.

**Employees Covered by Benefit Terms**

As of December 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	15
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>1</u>
Total participants covered by OPEB Plan	<u><u>16</u></u>

**Contributions**

The Village of Newberry Retiree Health Care Plan was established and is being funded under the authority of the Village and under agreements with unions representing various classes of employees. The plan’s funding policy is that the employer will fund the plan on a pay-as-you-go basis. Currently, benefit payments are made from general operating funds. There are no long-term contracts for contributions to the plan.

**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB): (Continued)**

**Actuarial assumptions and other inputs:**

The total OPEB liability actuarial valuation was determined by an actuarial valuation as of December 31, 2020. The following actuarial assumptions were used in the measurement:

Inflation	Not applicable
Salary increases	Not applicable
Investment rate of return	N/A; plan is not pre-funded
20-year Aa Municipal bond rate	1.93% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	Public General and Public Safety 2010 Employee and Healthy Retiree, Headcount weighted
Improvement Scale	MP-2020

As this plan is not pre-funded, no long-term expected rate of return on plan investments was determined.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 1.93%. Because the plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate of return was used to discount the projected benefits. From the year that benefit payments were no projected to be covered by the projected assets (the “depletion date”; not applicable for this plan), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability.

**Changes in the Net OPEB Liability**

	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
<b>Balances at December 31, 2019</b>	\$ 819,430	\$ -	\$ 819,430
Service cost	-	-	-
Interest	24,873	-	24,873
Assumption Changes	50,727	-	50,727
Difference between expected and actual experience	(99,487)	-	(99,487)
Contributions	-	112,905	(112,905)
Expected net investment income	-	-	-
Benefit payments	(112,905)	(112,905)	-
<b>Net changes</b>	<b>(136,792)</b>	<b>-</b>	<b>(136,792)</b>
<b>Balances as December 31, 2020</b>	<b>\$ 682,638</b>	<b>\$ -</b>	<b>\$ 682,638</b>

**NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB): (Continued)**

**Sensitivity of the total OPEB liability to changes in the discount rate:**

The following presents the total OPEB Liability, calculated using trend and discount rates 1% higher and lower than base assumptions:

	<u>Discount Rate</u>		
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$713,001	\$682,638	\$655,114

	<u>Trend Rates</u>		
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$663,517	\$682,638	\$702,897

**OPEB Expense**

For the year ended December 31, 2020, the Village recognized an OPEB expense as follows:

	<u>12/31/2020</u>
Service Cost	\$ -
Interest	24,873
Amortization of Deferred Charges:	
Difference between expected and actual experience	(99,487)
Changes of assumptions or other inputs	50,727
Difference between expected and actual return on investments	-
Net OPEB Expense	<u>\$ (23,887)</u>

**NOTE 10 - COMMITMENTS AND CONTINGENCIES:**

**Grant Assistance** - The Village received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Village. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Village at December 31, 2020.

**NOTE 11 - RISK MANAGEMENT:**

The Village is exposed to various risks of loss related to property loss, torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 12 - CAPITAL CREDITS IN COOPERATIVE:**

The Village of Newberry Electric Fund purchases electric for resale from Cloverland Electric Co-op. Due to operating surpluses by the cooperative, the Village of Newberry's Electric Fund receives patronage capital credits. During the current year the Village received no capital distributions. As of December 31, 2020, the Village has capital credits outstanding of \$594,360. This amount is credited to the capital account of the Cooperative for the Village of Newberry Electric Fund and has the same status as if it was paid in cash to the Village and then the Village furnished the Cooperative with a corresponding amount of capital. Distribution of these credits to the Village of Newberry Electric Fund is made at the complete discretion of the Cooperative.

**NOTE 13 - EXCESS EXPENDITURES OVER APPROPRIATIONS:**

Public Act 2 of 1968, the Uniform Budgeting and Accounting Act, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Village's actual expenditures were in excess of amounts appropriated as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Capital Outlay	\$ 432,500	\$ 451,149	\$ (18,649)

**NOTE 14 - DEFICIT COMPONENT OF NET POSITION/FUND BALANCE:**

A deficit component of net position/fund balance existed in the following funds as indicated:

TORC	\$ 16,411
Atlas Park	6,124

**NOTE 15 - RESTATEMENT:**

	<u>Governmental Net Position</u>
Beginning net position as previously stated at January 1, 2020	\$ 696,352
Restatement of Net Position – for adjustment of depreciated capital assets	<u>(20,038)</u>
Beginning net position as restated at January 1, 2020	<u>\$ 676,314</u>

**NOTE 16 - SUBSEQUENT EVENT:**

In May 2021, the Village reached a settlement on an employee arbitration case requiring \$57,000 to be paid out in \$19,000 installments over three years beginning June 2021.

## **Required Supplementary Information**

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# Village of Newberry, Michigan

## Required Supplementary Information Employee Retirement and Benefit Systems Schedule of Changes in Pension Liability For the Year Ended December 31, 2020

	2020	2019	2018	2017	2016	2015
<b>Total pension liability</b>						
Service cost	\$ 44,704	\$ 52,290	\$ 51,841	\$ 50,379	\$ 56,321	\$ 57,323
Interest	349,617	358,630	359,296	355,645	347,836	341,332
Difference between expected and actual experience	33,898	124,221	(43,893)	(6,626)	(55,600)	(58,770)
Changes in assumptions	146,595	-	-	-	203,073	196,558
Benefit payments, including refund of member contributions	(420,613)	(394,512)	(361,584)	(322,580)	(308,458)	(294,636)
Other changes	15,221	(6,444)	2,260	(12,408)	(155,433)	(3,924)
<b>Net change in total pension liability</b>	169,422	134,185	7,920	64,410	87,739	237,883
<b>Total pension liability - beginning</b>	4,788,175	4,653,990	4,646,070	4,581,660	4,493,921	4,256,038
<b>Total pension liability - ending</b>	<u>\$ 4,957,597</u>	<u>\$ 4,788,175</u>	<u>\$ 4,653,990</u>	<u>\$ 4,646,070</u>	<u>\$ 4,581,660</u>	<u>\$ 4,493,921</u>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 200,511	\$ 180,502	\$ 163,110	\$ 160,210	\$ 243,380	\$ 139,838
Contributions - employee	-	-	-	-	-	-
Net investment income	336,684	355,962	(111,357)	364,244	292,473	(40,303)
Benefit payments, including refunds of member contributions	(420,613)	(394,512)	(361,584)	(322,580)	(308,458)	(294,636)
Administrative expense	(5,529)	(6,130)	(5,703)	(5,780)	(5,778)	(5,987)
Other changes	(1)	-	-	-	1	(1)
<b>Net change in plan fiduciary net position</b>	111,052	135,822	(315,534)	196,094	221,618	(201,089)
<b>Plan fiduciary net position - beginning</b>	2,834,366	2,698,544	3,014,078	2,817,984	2,596,366	2,797,455
<b>Plan fiduciary net position - ending</b>	<u>\$ 2,945,418</u>	<u>\$ 2,834,366</u>	<u>\$ 2,698,544</u>	<u>\$ 3,014,078</u>	<u>\$ 2,817,984</u>	<u>\$ 2,596,366</u>
<b>Village's net pension liability - ending</b>	<u>\$ 2,012,179</u>	<u>\$ 1,953,809</u>	<u>\$ 1,955,446</u>	<u>\$ 1,631,992</u>	<u>\$ 1,763,676</u>	<u>\$ 1,897,555</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	59%	59%	58%	65%	62%	58%
<b>Covered - employee payroll</b>	\$ 632,544	\$ 700,673	\$ 703,254	\$ 647,812	\$ 675,376	\$ 675,376
<b>Village's net pension liability as a percentage of covered-employee payroll</b>	318%	279%	278%	252%	261%	281%



## Village of Newberry, Michigan

### Required Supplementary Information Employee Retirement and Benefit Systems Schedule of Employer Contributions For the Year Ended December 31, 2020

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 200,511	\$ 180,502	\$ 163,107	\$ 160,211	\$ 243,380	\$ 139,838
Contributions in relation to the actuarially determined contribution	<u>200,511</u>	<u>180,502</u>	<u>163,107</u>	<u>160,211</u>	<u>243,380</u>	<u>139,838</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 632,544	\$ 700,673	\$ 703,254	\$ 647,812	\$ 675,376	\$ 537,871
Contributions as a percentage of covered-employee payroll	32%	26%	23%	25%	36%	26%

#### Notes to Schedule:

Actuarially determined contribution rates are calculated as of December 31st, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	19 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	3.00% average, including inflation
Investment rate of return	7.35%
Retirement age	Experienced-based tables of rates that are specific to the type of eligibility condition
Mortality	Assumptions were based on the RP 2014 Group Annuity Mortality Table - Blended 50% Male / 50% Female

# Village of Newberry, Michigan

## Required Supplementary Information Employee Retirement and Benefit Systems Schedule of Changes in the OPEB Liability and Related Ratios Year Ended December 31, 2020

	2020	2019	2018
<b>Total OPEB Liability - Beginning of Year</b>	\$ 819,430	\$ 898,439	\$ 1,010,532
Service cost	-	1,124	1,085
Interest	24,873	29,991	34,794
Assumption changes and differences between actual and expected experience	(48,760)	41,166	11,179
Benefit payments	(112,905)	(151,290)	(159,151)
<b>OPEB Liability - End of Year</b>	<b>\$ 682,638</b>	<b>\$ 819,430</b>	<b>\$ 898,439</b>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 112,905	\$ 151,290	\$ 159,151
Net investment income	-	-	-
Benefit payments	(112,905)	(151,290)	(159,151)
Administrative expense	-	-	-
<b>Net change in plan fiduciary net position</b>	-	-	-
<b>Plan fiduciary net position - Beginning of Year</b>	-	-	-
<b>Plan fiduciary net position - End of Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net OPEB liability - End of Year</b>	<b>\$ 682,638</b>	<b>\$ 819,430</b>	<b>\$ 898,439</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	0%	0%	0%
<b>Covered Payroll</b>	\$ 41,714	\$ 147,717	\$ 156,362
<b>Net OPEB liability as a percentage of covered payroll</b>	1636.47%	554.73%	574.59%
<b>Schedule of Employer Contributions</b>			
Actuarially determined contribution	180,257	170,550	153,536
Actual Contribution	112,905	151,290	144,732
Contribution deficiency/(excess)	<b>\$ 67,352</b>	<b>\$ 19,260</b>	<b>\$ 8,804</b>
<b>Covered Payroll</b>	\$ 41,714	\$ 147,717	\$ 156,362
<b>ADC as a percentage of payroll</b>	432.13%	115.46%	98.19%

### Key Assumptions:

Actuarial Cost Method	Entry age normal (percent of compensation)
Discount rate	1.93% for December 31, 2020 liability and 2021 contribution
	Rationale - 20 year Aa Municipal bond rate
20-year Aa Municipal Bond Rate	1.93%
Inflation	2.50%
Payroll Inflation	3.50%
Mortality	Police: Public Safety 2010 Employee and Healthy Retiree, headcount-weighted, 2020 improvement
	Spouses and General Employees: Public General 2010 Employee and Healthy Retiree, headcount-weighted, 2020 improvement

# Village of Newberry, Michigan

## Required Supplementary Information Budgetary Comparison Schedule General Fund Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 271,300	\$ 261,000	\$ 259,350	\$ (1,650)
Licenses and Permits	10,600	10,500	17,091	6,591
Federal Sources	-	-	14,745	14,745
State Sources	200,000	153,000	202,264	49,264
Charges for Services	77,500	82,600	89,005	6,405
Fines and Forfeits	-	91	91	-
Interest and Rentals	17,000	9,300	9,508	208
Other Revenue	165,000	550,000	614,134	64,134
<b>TOTAL REVENUES</b>	<b>741,400</b>	<b>1,066,491</b>	<b>1,206,188</b>	<b>139,697</b>
<b>EXPENDITURES</b>				
General Government:				
Village Council	15,870	14,520	12,067	2,453
Village President	4,515	4,515	4,258	257
Village Manager	48,170	26,070	20,909	5,161
Village Administration	96,796	68,547	50,306	18,241
Audit	2,000	20,000	14,061	5,939
Attorney	8,000	17,000	18,858	(1,858)
Village Clerk	16,460	14,360	13,918	442
Village Treasurer	11,710	10,910	9,965	945
Ordinance Officer	14,800	10,300	10,037	263
Building and Grounds	35,910	51,310	49,086	2,224
<b>Total General Government</b>	<b>254,231</b>	<b>237,532</b>	<b>203,465</b>	<b>34,067</b>
Public Safety:				
Police Department	57,800	57,300	51,444	5,856
Public Works:				
Department of Public Works	92,260	84,450	73,498	10,952
Alley Clean Up	41,380	67,180	60,373	6,807
Street Lighting	19,000	19,000	18,563	437
Motor Pool	93,980	81,480	77,560	3,920
Storm Sewer	6,360	11,160	9,142	2,018
Rubbish and Garbage	83,970	82,270	77,094	5,176
<b>Total Public Works</b>	<b>336,950</b>	<b>345,540</b>	<b>316,230</b>	<b>29,310</b>
Recreational and Cultural:				
Parks and Recreation	8,960	8,460	6,537	1,923
Capital Outlay	62,500	432,500	451,149	(18,649)
<b>TOTAL EXPENDITURES</b>	<b>720,441</b>	<b>1,081,332</b>	<b>1,028,825</b>	<b>52,507</b>

**Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
Year Ended December 31, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<u>20,959</u>	<u>(14,841)</u>	<u>177,363</u>	<u>192,204</u>
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	-	12,500	12,594	94
Transfers (Out)	<u>-</u>	<u>-</u>	<u>(7,703)</u>	<u>(7,703)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>12,500</u>	<u>4,891</u>	<u>(7,609)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>\$ 20,959</u></u>	<u><u>\$ (2,341)</u></u>	182,254	<u><u>\$ 184,595</u></u>
FUND BALANCE, BEGINNING OF YEAR			<u>1,040,402</u>	
FUND BALANCE, END OF YEAR			<u><u>\$ 1,222,656</u></u>	

**Required Supplementary Information  
Budgetary Comparison Schedule  
Major Street Fund  
Year Ended December 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
State Sources	\$ 154,000	\$ 172,500	\$ 180,074	\$ 7,574
TOTAL REVENUES	<u>154,000</u>	<u>172,500</u>	<u>180,074</u>	<u>7,574</u>
EXPENDITURES				
Public Works	142,610	133,510	90,926	42,584
TOTAL EXPENDITURES	<u>142,610</u>	<u>133,510</u>	<u>90,926</u>	<u>42,584</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 11,390</u>	<u>\$ 38,990</u>	89,148	<u>\$ 50,158</u>
FUND BALANCE, BEGINNING OF YEAR			<u>245,012</u>	
FUND BALANCE, END OF YEAR			<u>\$ 334,160</u>	

**Required Supplementary Information  
Budgetary Comparison Schedule  
Local Street Fund  
Year Ended December 31, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 79,200	\$ 77,000	\$ 77,516	\$ 516
State Sources	74,590	71,740	68,262	(3,478)
TOTAL REVENUES	<u>153,790</u>	<u>148,740</u>	<u>145,778</u>	<u>(2,962)</u>
EXPENDITURES				
Public Works	146,605	120,955	82,877	38,078
TOTAL EXPENDITURES	<u>146,605</u>	<u>120,955</u>	<u>82,877</u>	<u>38,078</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 7,185</u>	<u>\$ 27,785</u>	62,901	<u>\$ 35,116</u>
FUND BALANCE, BEGINNING OF YEAR			<u>129,575</u>	
FUND BALANCE, END OF YEAR			<u>\$ 192,476</u>	

## **Other Information**

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**Schedule of Bond Covenant Cash Reserves  
Required and Actual Balances  
December 31, 2020**

	<b>Required Balance</b>	<b>Actual Balance</b>
<b>Water Fund - Restricted Cash</b>		
<b>Operation and Maintenance Funds</b>	\$ 186,276	\$ 186,276
<b>Bond and Interest Redemption</b>		
Series 2005 Revenue Bond	39,420	39,420
Series 2009 Revenue Bond	10,387	10,387
Series 2014 Revenue Bond	64,288	64,288
<b>Bond Reserves</b>		
Series 2005 Revenue Bond	130,000	130,000
Series 2009 Revenue Bond	16,000	16,000
Series 2014 Revenue Bond	140,400	140,400
<b>Repair, Replacement and Improvement Accounts</b>		
Series 2005 Revenue Bond	286,175	286,175
Series 2014 Revenue Bond	135,288	135,288
	<b>\$ 1,008,234</b>	<b>\$ 1,008,234</b>
<b>Sewer Fund Restricted Cash</b>		
<b>Operation and Maintenance Funds</b>	\$ 87,244	\$ 87,244
<b>Bond and Interest Redemption</b>		
Series 2014 Revenue Bond	61,114	61,114
<b>Bond Reserves</b>		
Series 2014 Revenue Bond	153,956	153,956
	<b>\$ 302,314</b>	<b>\$ 302,314</b>



**Village of Newberry, Michigan**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2020**

	Special Revenue Funds			Capital Project Funds		Total
	Fire Capital	Fire Revolving	Fire Millage	TORC	Atlas Park	
<b>ASSETS:</b>						
Cash and Equivalents	\$ 777	\$ 144,808	\$ 52,227	\$ 64,900	\$ 65,103	\$ 327,815
Accounts Receivable	-	40,454	-	-	-	40,454
Taxes Receivable	-	-	4,299	-	-	4,299
Prepaid Items	-	5,890	-	-	-	5,890
Due From Other Funds	28,149	34,320	46,626	-	-	109,095
Due From Other Governmental Units	-	-	-	43,850	-	43,850
<b>TOTAL ASSETS</b>	<b>\$ 28,926</b>	<b>\$ 225,472</b>	<b>\$ 103,152</b>	<b>\$ 108,750</b>	<b>\$ 65,103</b>	<b>\$ 531,403</b>
<b>LIABILITIES:</b>						
Accounts Payable	\$ -	\$ 200	\$ -	\$ -	\$ -	\$ 200
Due to Other Funds	-	169,294	12,867	125,161	71,227	378,549
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>169,494</b>	<b>12,867</b>	<b>\$ 125,161</b>	<b>\$ 71,227</b>	<b>378,749</b>
<b>FUND BALANCE:</b>						
Nonspendable	-	5,890	-	-	-	5,890
Restricted	28,926	50,088	90,285	-	-	169,299
Unassigned	-	-	-	(16,411)	(6,124)	(22,535)
<b>TOTAL FUND BALANCES</b>	<b>28,926</b>	<b>55,978</b>	<b>90,285</b>	<b>(16,411)</b>	<b>(6,124)</b>	<b>152,654</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 28,926</b>	<b>\$ 225,472</b>	<b>\$ 103,152</b>	<b>\$ 108,750</b>	<b>\$ 65,103</b>	<b>\$ 531,403</b>

# Village of Newberry, Michigan

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended December 31, 2020

	Special Revenue Funds			Capital Project Fund		Total
	Fire Capital	Fire Revolving	Fire Millage	TORC	Atlas Park	
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ 30,126	\$ -	\$ -	\$ 30,126
State Sources	-	2,307	-	-	990	3,297
Charges for Service	-	80,547	-	-	-	80,547
Interest and Rentals	-	287	-	-	-	287
<b>TOTAL REVENUES</b>	<b>-</b>	<b>83,141</b>	<b>30,126</b>	<b>-</b>	<b>990</b>	<b>114,257</b>
<b>EXPENDITURES</b>						
Public Safety	-	115,080	-	-	-	115,080
Recreation and Cultural	-	-	-	5,243	6,576	11,819
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>115,080</b>	<b>-</b>	<b>5,243</b>	<b>6,576</b>	<b>126,899</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(31,939)</b>	<b>30,126</b>	<b>(5,243)</b>	<b>(5,586)</b>	<b>(12,642)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	37,829	-	-	-	37,829
Transfers (Out)	-	-	(30,126)	-	-	(30,126)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>37,829</b>	<b>(30,126)</b>	<b>-</b>	<b>-</b>	<b>7,703</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>5,890</b>	<b>-</b>	<b>(5,243)</b>	<b>(5,586)</b>	<b>(4,939)</b>
FUND BALANCE, BEGINNING OF YEAR	28,926	50,088	90,285	(11,168)	(538)	157,593
FUND BALANCE, END OF YEAR	<u>\$ 28,926</u>	<u>\$ 55,978</u>	<u>\$ 90,285</u>	<u>\$ (16,411)</u>	<u>\$ (6,124)</u>	<u>\$ 152,654</u>

# **Report on Compliance**

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

KENNETH A. TALSMAN, CPA, PRINCIPAL  
AMBER N. MACK, CPA, PRINCIPAL

PHILLIP J. WOLF, CPA  
LESLIE A. BOHN, CPA  
TORI N. KRUISE, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**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***

Honorable President and Members  
of the Village Council  
Village of Newberry, 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 Village of Newberry, Michigan, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Village of Newberry, Michigan's basic financial statements and have issued our report thereon dated August 25, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village of Newberry, Michigan'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 Village of Newberry, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Newberry, Michigan'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.

Honorable President and Members  
of the Village Council

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village of Newberry, Michigan's financial statements are free of 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002.

### **Village of Newberry, Michigan's Response to Finding**

The Village of Newberry, Michigan's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Village of Newberry, Michigan's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**  
**Kincheloe, Michigan**

August 25, 2021

**Compliance and Other Matters**

*Significant Deficiencies – Noncompliance with State Statutes*

**Excess Expenditures Over Appropriations** *Finding 2020-001*

Condition: Our examination of procedures used by the Village to adopt and maintain operating budgets for the Village’s budgetary funds revealed the following instance of noncompliance with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act.

The Village’s 2020 General Appropriations Act (budget) provided for expenditures of the General Fund to be controlled to the activity level. During the fiscal year ended December 31, 2020, expenditures were incurred in excess of amounts appropriated in the amended budgets for the General Fund on pages 42 of the financial statements.

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Public Act 2 of 1968, as amended.

During the year ended December 31, 2020, the Village incurred expenditures in certain budgetary funds, which were in excess of the amount appropriated as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Capital Outlay	\$ 432,500	\$ 451,149	\$ (18,649)

Effect: The Village has not complied with various State Statutes.

Cause: Failure to amend the budget for the General Funds during the year.

Recommendation: We recommend that the Village and personnel responsible for administering the activities of the various funds of the Village, develop budgetary control procedures for the General Funds, which will assure that expenditures do not exceed amounts authorized in the General Appropriations Act, or amendments thereof.

Planned Corrective Action: Management has agreed to correct the problem by monitoring the budgets more closely and performing budget amendments on a timely basis.

- Contact Person(s) Responsible for Correction:  
Allison Watkins, Village Manger

**Compliance and Other Matters**

*Significant Deficiencies – Noncompliance with State Statutes*

**Deficit Component of Net Position/Fund Balance      *Finding 2020-002***

Condition: The Village’s TORC and Atlas Park funds have a deficit component of net position/fund balance.

Criteria: A deficit component of net position/fund balance is contrary to the provisions of Section 15(2) of Public Act 2 of 1968, as amended.

Effect: The Village is in noncompliance with Public Act 2 of 1968, as amended.

Cause: The TORC fund has a negative fund balance of \$16,411 and the Atlas Park fund has a negative fund balance of \$6,124.

Recommendation: We recommend that the Village develop a plan to eliminate the deficits as soon as possible.

Planned Corrective Action: The Village has submitted a three-year deficit elimination plan with the State of Michigan and plans to close both funds in 2021.

- Contact Person(s) Responsible for Correction:  
Allison Watkins, Village Manager
  
- Anticipated Completion Date:  
December 31, 2021



**ANDERSON, TACKMAN & COMPANY, PLC**  
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MICHIGAN & WISCONSIN

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

Honorable President and Members  
of the Village Council  
Village of Newberry, 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 Village of Newberry, Michigan, for the year ended December 31, 2020, and have issued our report thereon August 25, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted accounting standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards***

As stated in our engagement letter dated June 10, 2021 our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we will consider the Village of Newberry, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the Village of Newberry, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis, employee retirement and benefit systems and budgetary comparison schedules, which supplement(s) the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.



We have been engaged to report on the bond covenant cash reserves and combining fund financial statements, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated June 10, 2021.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Newberry are described in Note 1 to the financial statements. The Village changed accounting policies related to fiduciary activities by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 84, Fiduciary Activities in 2020. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the vested employee benefits is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible accounts receivable in the electric fund is based on past experience and future expectations for collection of various account balances and has been determined to be \$6,373.
- Management's estimate of the Annual Required Contribution for OPEB Obligations and pension benefits liability were based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates.

The financial statement disclosures are neutral, consistent and clear.

#### ***Difficulties Encountered in Performing the Audit***

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

***Corrected and Uncorrected Misstatements***

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

***Disagreement 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 August 25, 2021.

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit'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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

***Comments and Recommendations***

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention. We noted no material matters involving the internal control over financial reporting and compliance, as reported in a separate letter in accordance with Government Auditing Standards of the basic financial statement audit report.

## **Policy Manual**

Upon review of Village policies, it was noted that the Village lacked most policies for operational tasks. We recommend that the Village research, review, and adopt at minimum the following policies to help create a stronger control environment and to be in compliance with state regulations:

- Investment policy
- Credit Card policy
- Purchasing/Procurement policy
- Fund Balance policy
- Fraud policy
- Conflict of Interest policy

We also recommend that during this process the Village research other policies it may need or want to develop as well.

Status: In process of correcting.

### **Upcoming Pronouncements:**

*Effective years beginning after 12/15/2021 (your FY 2022)*

The Governmental Accounting Standards Board (GASB) issued guidance that establishes a single approach to accounting for and reporting leases by state and local governments. The single approach is based on the principle that leases are financing of the right to use an underlying asset.

GASB Statement No. 87, *Leases*, provides guidance for lease contracts for nonfinancial assets – including vehicles heavy equipment, and buildings – but excludes nonexchange transactions, including donated assets, and leases of intangible assets.

Under the new Statement, a lessee government is required to recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. A lessor government is required to recognize (1) a lease receivable and (2) a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements.

A lease also will report the following in its financial statements:

- Amortization expense for using the lease asset (similar to depreciation) over the shorter of the term of the lease or the useful life of the underlying asset.
- Interest expense on the lease liability.
- Note disclosures about the lease, including a general description of the leasing arrangement, the amount of the lease assets recognized, and a schedule of future lease payments to be made.

Limited exceptions to the single-approach guidance are provided for:

- Short-term leases, defined as lasting a maximum of 12 months at inception, including any options to extend.
- Financial purchases.
- Certain regulated leases, such as between municipal airports and air carriers.

The full text of Statement 87 is available on the GASB website, [www.gasb.org](http://www.gasb.org).

**State Chart of Accounts**

*Effective fiscal years ending after 9/30/2021 (your FY 2021)*

The Uniform Chart of Accounts for Local Units of Government (Counties, Cities, Villages and Townships; and Authorities and Commissions established by counties, cities, villages and townships) has been developed by the Local Government Fiscal Accountability Division of the Michigan Department of Treasury with the assistance of the Michigan Committee on Governmental Accounting and Auditing. All local units of government in Michigan must use the Uniform Chart of Accounts. The new Chart of Accounts must be implemented for fiscal years ending September 30, 2021, and thereafter. Early implementation, after the reviewed Chart of Accounts is issued on Dec. 31, 2019, will be allowed and encouraged.

**Other Matters**

We applied certain limited procedures to the management's discussion and analysis, employee retirement and benefit systems and budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and our knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

**Conclusion**

This information is intended solely for the use of the Village of Newberry and is not intended to be, and should not be used by anyone other than these specified parties.

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of assistance, please contact us.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**  
**Kincheloe, Michigan**

August 25, 2021