

Village of Newberry, Michigan

BASIC FINANCIAL STATEMENTS

December 31, 2021

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	13
Reconciliation of Governmental Funds:	
Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Proprietary Funds:	
Statement of Net Position	15
Statement of Revenues, Expenses, and Changes in Net Position.....	16
Statement of Cash Flows	17
NOTES TO FINANCIAL STATEMENTS	18
REQUIRED SUPPLEMENTARY INFORMATION:	
Employee Retirement and Benefit Systems:	
Pension:	
Schedule of Changes in Pension Liability	42
Schedule of Employer Contributions	43
Other Post-Employment Benefits (OPEB):	
Schedule of Changes in the OPEB Liability and Related Ratios	44
Major Funds:	
Budgetary Comparison Schedule – General Fund.....	45
Budgetary Comparison Schedule – Major Streets Fund.....	47
Budgetary Comparison Schedule – Local Streets Fund	48
OTHER INFORMATION:	
Schedule of Bond Covenant Cash Reserves	49
Combining Balance Sheet – Nonmajor Governmental Funds.....	50
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	51

TABLE OF CONTENTS (Continued)

	<u>Page</u>
REPORTS ON COMPLIANCE:	
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 <i>Government Auditing Standards</i>	52
Schedule of findings and responses.....	54



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

KENNETH A. TALSMA, 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

Honorable President and Members
of the Village Council
Village of Newberry, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Newberry, Michigan, as of and for the year ended December 31, 2021, 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.

In our opinion, the accompanying 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, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village of Newberry, Michigan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

Honorable President and Members
of the Village Council

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Newberry, Michigan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedure that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village of Newberry, Michigan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Newberry, Michigan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, employee retirement and benefit systems, and budgetary comparison information on pages 4 through 9, pages 42 through 44 and pages 45 through 48 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Honorable President and Members
of the Village Council

Supplementary 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 accompanying 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standard 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standard*, we have also issued our report dated May 27, 2022, 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

May 27, 2022

Management's Discussion and Analysis

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, 2021. 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 2021 was \$9,521,198. Of this amount, \$555,667 is unrestricted net position.
- The Village's total net position increased \$918,077, which comprised of a decrease of \$523,612 related to a prior period adjustment for the correction of cash and an increase of \$1,441,689 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 \$2,985,872. 53% of the ending fund balance or \$1,577,684 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.

Supplementary 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 \$9,521,198 at the close of fiscal year 2021

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current Assets	\$ 3,028,174	\$ 1,971,949	\$ 3,652,364	\$ 3,082,431	\$ 6,680,538	\$ 5,054,380
Capital and Other Assets	945,844	973,724	15,551,298	16,653,662	16,497,142	17,627,386
Total Assets	3,974,018	2,945,673	19,203,662	19,736,093	23,177,680	22,681,766
Deferred Outflows of Resources	59,870	105,322	14,968	26,331	74,838	131,653
Current Liabilities	42,302	26,353	817,733	673,968	860,035	700,321
Noncurrent Liabilities	1,419,853	1,652,864	11,124,832	11,767,083	12,544,685	13,419,947
Total Liabilities	1,462,155	1,679,217	11,942,565	12,441,051	13,404,720	14,120,268
Deferred Inflows of Resources	261,280	72,024	65,320	18,006	326,600	90,030
Net Position						
Net Investment in Capital Assets	945,844	973,724	5,435,831	5,531,662	6,381,675	6,505,386
Restricted	1,334,373	695,935	845,347	1,310,547	2,179,720	2,006,482
Unrestricted	30,236	(369,905)	929,567	461,158	959,803	91,253
Total Net Position	\$ 2,310,453	\$ 1,299,754	\$ 7,210,745	\$ 7,303,367	\$ 9,521,198	\$ 8,603,121

Approximately 67% 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 \$959,803 or 10%.

Village of Newberry
Condensed Statement of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program Revenues						
Charges for Services	\$ 230,721	\$ 186,734	\$ 4,147,463	\$ 4,059,948	\$ 4,378,184	\$ 4,246,682
Operating Grants and Contributions	284,991	318,128	-	-	284,991	318,128
Capital Grants and Contributions	-	-	137,176	159,310	137,176	159,310
General Revenues						
Property Taxes	623,361	366,992	-	-	623,361	366,992
State Revenue Sharing	287,122	169,431	-	-	287,122	169,431
Gain on Sale of Capital Assets	-	12,594	-	-	-	12,594
Investment Earnings	4,174	9,795	1,865	3,073	6,039	12,868
Other	322,786	614,134	-	-	322,786	614,134
Total Revenues	1,753,155	1,677,808	4,286,504	4,222,331	6,039,659	5,900,139
Program Expenses						
General Government	322,373	308,884	-	-	322,373	308,884
Public Safety	198,585	182,658	-	-	198,585	182,658
Public Works	559,152	520,832	-	-	559,152	520,832
Recreation and Cultural	36,815	41,994	-	-	36,815	41,994
Electric	-	-	1,733,559	1,680,425	1,733,559	1,680,425
Water	-	-	804,681	784,698	804,681	784,698
Sewage	-	-	942,805	962,678	942,805	962,678
Total Expenses	1,116,925	1,054,368	3,481,045	3,427,801	4,597,970	4,482,169
Change in Net Position	636,230	623,440	805,459	794,530	1,441,689	1,417,970
Net Position - Beginning (as Restated)	1,674,223	676,314	6,405,286	6,508,837	8,079,509	7,185,151
Net Position - Ending	\$ 2,310,453	\$ 1,299,754	\$ 7,210,745	\$ 7,303,367	\$ 9,521,198	\$ 8,603,121

Governmental Activities

Governmental activities increased the Village's net position by \$1,010,699, of which \$374,469 is a positive prior period adjustment for correction of cash (see note 14) and \$636,230 was related to current year activity.

The remaining increase in governmental activities is primarily caused by an increase in property taxes and state revenue sharing.

Business-Type Activities

Business-type activities increase the Village's net position by \$805,459 in the current year activities. There is a negative prior period adjustment for correction of cash (see note 14) in the amount of \$898,081, which combined created a decrease in net position of \$92,622.

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 \$424,419 from \$1,222,656 to \$1,647,075 during 2021. 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 \$458,818, (\$137,974) and \$204,587 respectively. The Electric Fund had an increase in net position for the year of \$334,324. 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 \$141,502, 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 \$329,633, 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 2021 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 \$466,638 and the actual total expenditures were greater than the final budgeted amount by \$39,617. The revenue variance is mainly the result of insurance proceeds for damage to a Village building. The expense variance is primarily attributable to higher general government expenditures related to the damage than originally budgeted for in 2021.

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	
	2021	2020	2021	2020	2021	2020
Land	\$ 5,773	\$ 5,773	\$ 15,204	\$ 15,204	\$ 20,977	\$ 20,977
Land Improvements	178,088	189,095	-	-	178,088	189,095
Buildings and Improvements	480,213	494,239	81,554	80,196	561,767	574,435
Vehicles and Equipment	221,094	215,273	211,412	246,822	432,506	462,095
Infrastructure	60,676	69,344	13,989	15,987	74,665	85,331
Electric System	-	-	1,703,855	1,758,019	1,703,855	1,758,019
Sewage System	-	-	4,897,308	5,040,567	4,897,308	5,040,567
Water System	-	-	8,627,976	8,902,507	8,627,976	8,902,507
Net Capital Assets	<u>\$ 945,844</u>	<u>\$ 973,724</u>	<u>\$ 15,551,298</u>	<u>\$ 16,059,302</u>	<u>\$ 16,497,142</u>	<u>\$ 17,033,026</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 \$10,662,000, all of which is debt of business-type activities.

The Village’s total bond debt decreased by \$460,000 during the current fiscal year. The Village also has an OPEB obligation in the amount of \$568,259 and a Pension obligation of \$1,733,782.

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

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS:			
Cash and Cash Equivalents - Unrestricted	\$ 2,315,789	\$ 1,443,560	\$ 3,759,349
Cash and Cash Equivalents - Restricted	-	1,403,498	1,403,498
Accounts Receivable	55,482	306,934	362,416
Taxes Receivable	45,986	-	45,986
Prepaid Items	9,806	21,519	31,325
Due from Other Governmental Units	107,248	424,183	531,431
Internal Balances	493,863	(493,863)	-
Capital Credits in Coop	-	546,533	546,533
Capital Assets (Not Depreciated)	5,773	15,204	20,977
Capital Assets (Depreciated)	940,071	15,536,094	16,476,165
TOTAL ASSETS	3,974,018	19,203,662	23,177,680
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Items	59,870	14,968	74,838
LIABILITIES:			
Accounts Payable	12,806	138,019	150,825
Accrued Liabilities	8,412	13,947	22,359
Accrued Interest Payable	-	72,155	72,155
Customer Deposits	-	46,501	46,501
Unearned Revenue	21,084	73,111	94,195
Bonds Payable - Due within one year	-	474,000	474,000
Bonds Payable - Due in more than one year	-	10,188,000	10,188,000
Net Pension Liability - Due in more than one year	1,386,182	347,626	1,733,808
Vested Employee Benefits - Due in more than one year	10,941	43,677	54,618
OPEB Obligation - Due in more than one year	22,730	545,529	568,259
TOTAL LIABILITIES	1,462,155	11,942,565	13,404,720
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Items	261,280	65,320	326,600
NET POSITION:			
Net Investment in Capital Assets	945,844	5,435,831	6,381,675
Restricted for Special Revenue	1,334,373	-	1,334,373
Restricted for Bond Reserves	-	1,249,483	1,249,483
Unrestricted	30,236	525,431	555,667
TOTAL NET POSITION	\$ 2,310,453	\$ 7,210,745	\$ 9,521,198

Village of Newberry, Michigan

Statement of Activities For the Year Ended December 31, 2021

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
Primary Government:							
Governmental Activities:							
General Government	\$ 322,374	\$ 24,499	\$ -	\$ -	\$ (297,875)	\$ -	\$ (297,875)
Public Safety	198,585	97,890	21,044	-	(79,651)	-	(79,651)
Public Works	559,152	108,332	263,947	-	(186,873)	-	(186,873)
Recreation and Culture	36,814	-	-	-	(36,814)	-	(36,814)
Total Governmental Activities	1,116,925	230,721	284,991	-	(601,213)	-	(601,213)
Business-type Activities:							
Electric	1,733,559	2,067,575	-	-	-	334,016	334,016
Water	804,681	944,869	-	-	-	140,188	140,188
Sewage	942,805	1,135,019	-	137,176	-	329,390	329,390
Total Business-type Activities	3,481,045	4,147,463	-	137,176	-	803,594	803,594
Total Primary Government	<u>\$ 4,597,970</u>	<u>\$ 4,378,184</u>	<u>\$ 284,991</u>	<u>\$ 137,176</u>	<u>(601,213)</u>	<u>803,594</u>	<u>202,381</u>
General Revenues and Transfers:							
Property Taxes					623,361	-	623,361
State Revenue Sharing					287,122	-	287,122
Other Revenues					322,786	-	322,786
Interest on Deposits					4,174	1,865	6,039
Total General Revenues and Transfers					1,237,443	1,865	1,239,308
Change in Net Position					636,230	805,459	1,441,689
Net Position - Beginning (as Restated, See Note 14)					1,674,223	6,405,286	8,079,509
Net Position - Ending					<u>\$ 2,310,453</u>	<u>\$ 7,210,745</u>	<u>\$ 9,521,198</u>

Village of Newberry, Michigan

Balance Sheet Governmental Funds December 31, 2021

	General Fund	Major Street Fund	Local Street Fund	Nonmajor Governmental Funds	Total
ASSETS:					
Cash and Equivalents	\$ 1,195,871	\$ 248,785	\$ 629,333	\$ 241,800	\$ 2,315,789
Accounts Receivable	10,838	-	-	44,644	55,482
Taxes Receivable	31,373	-	10,315	4,298	45,986
Prepaid Items	5,382	-	-	4,424	9,806
Due From Other Funds	756,680	234,768	74,580	106,445	1,172,473
Due From Other Governmental Units	65,300	29,938	12,010	-	107,248
TOTAL ASSETS	\$ 2,065,444	\$ 513,491	\$ 726,238	\$ 401,611	\$ 3,706,784
LIABILITIES:					
Accounts Payable	\$ 8,998	\$ -	\$ -	\$ 3,808	\$ 12,806
Accrued Liabilities	8,359	53	-	-	8,412
Unearned Revenue	-	-	-	21,084	21,084
Due to Other Funds	401,012	62,587	32,850	182,161	678,610
TOTAL LIABILITIES	418,369	62,640	32,850	207,053	720,912
FUND BALANCES:					
Nonspendable	5,382	-	-	4,424	9,806
Restricted	-	450,851	693,388	190,134	1,334,373
Assigned	64,009	-	-	-	64,009
Unassigned	1,577,684	-	-	-	1,577,684
TOTAL FUND BALANCES	1,647,075	450,851	693,388	194,558	2,985,872
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,065,444	\$ 513,491	\$ 726,238	\$ 401,611	
Reconciliation to amounts reported for governmental activities in the statement of net position:					
Capital assets used by governmental activities					945,844
Other post employment benefits (OPEB)					(22,730)
Vested employee benefits					(10,941)
Net pension liability and related deferred outflows/inflows					(1,587,592)
Net position of governmental activities					\$ 2,310,453

**Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2021**

	General Fund	Major Street Fund	Local Street Fund	Nonmajor Governmental Funds	Total
REVENUES:					
Taxes	\$ 420,971	\$ -	\$ 156,081	\$ 46,309	\$ 623,361
Licenses and Permits	265	-	-	-	265
State Sources	333,528	187,714	76,233	18,288	615,763
Charges for Services	132,566	-	-	96,992	229,558
Fines and Forfeits	898	-	-	-	898
Interest and Rents	3,924	-	-	250	4,174
Other Revenue	322,786	-	-	-	322,786
TOTAL REVENUES	1,214,938	187,714	232,314	161,839	1,796,805
EXPENDITURES:					
General Government	297,707	-	-	-	297,707
Public Safety	50,449	-	-	142,470	192,919
Public Works	343,876	71,023	105,871	-	520,770
Recreational and Cultural	14,425	-	-	-	14,425
Capital Outlay	61,527	-	-	-	61,527
TOTAL EXPENDITURES	767,984	71,023	105,871	142,470	1,087,348
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	446,954	116,691	126,443	19,369	709,457
OTHER FINANCING SOURCES (USES):					
Transfers In	-	-	-	22,535	22,535
Transfers (Out)	(22,535)	-	-	-	(22,535)
TOTAL OTHER FINANCING SOURCES (USES)	(22,535)	-	-	22,535	-
NET CHANGE IN FUND BALANCE	424,419	116,691	126,443	41,904	709,457
FUND BALANCES, BEGINNING OF YEAR, as Restated (see Note 14)	1,222,656	334,160	566,945	152,654	2,276,415
FUND BALANCES, END OF YEAR	\$ 1,647,075	\$ 450,851	\$ 693,388	\$ 194,558	\$ 2,985,872

**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, 2021**

Net changes in fund balances – total governmental funds \$ 709,457

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 depreciation expense (\$94,773) exceeded capital outlay \$66,893. (27,880)

Unavailable revenue in fund statement recorded as revenue in statement of activities. (43,650)

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	\$ 5,740	
Other post-employment benefits (OPEB)	4,575	
Net pension liability	<u>(12,012)</u>	<u>(1,697)</u>

Changes in net position of governmental activities \$ 636,230

Village of Newberry, Michigan

Statement of Net Position Proprietary Funds December 31, 2021

	Enterprise Funds			Total
	Electric	Water	Sewage	
ASSETS:				
Cash and Equivalents - Unrestricted	\$ 1,008,549	\$ -	\$ 435,011	\$ 1,443,560
Cash and Equivalents - Restricted	154,015	923,755	325,728	1,403,498
Accounts Receivable	170,213	89,965	46,756	306,934
Prepaid Items	8,420	4,366	8,733	21,519
Due from Other Funds	60,266	35,799	22,736	118,801
Due from Governmental Units	-	-	424,183	424,183
Capital Credits in Coop	546,533	-	-	546,533
Capital Assets (Not Depreciated)	-	-	15,204	15,204
Capital Assets (Depreciated)	1,908,502	8,666,836	4,960,756	15,536,094
TOTAL ASSETS	3,856,498	9,720,721	6,239,107	19,816,326
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Items	14,968	-	-	14,968
LIABILITIES:				
Accounts Payable	107,057	4,742	26,220	138,019
Accrued Liabilities	11,446	322	2,179	13,947
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	46,501	-	-	46,501
Unearned Revenue	-	73,111	-	73,111
Vested Employee Benefits - Due in more than one year	18,891	6,270	18,516	43,677
Bonds Payable - Due within one year	135,000	164,000	175,000	474,000
Bonds Payable - Due in more than one year	70,000	7,428,000	2,690,000	10,188,000
Net Pension Liability - Due in more than one year	347,626	-	-	347,626
OPEB Obligation - Due in more than one year	272,764	-	272,765	545,529
TOTAL LIABILITIES	1,097,293	7,860,104	3,597,832	12,555,229
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Items	65,320	-	-	65,320
NET POSITION:				
Net Investment in Capital Assets	2,250,035	1,074,836	2,110,960	5,435,831
Restricted	-	923,755	325,728	1,249,483
Unrestricted	458,818	(137,974)	204,587	525,431
TOTAL NET POSITION	\$ 2,708,853	\$ 1,860,617	\$ 2,641,275	\$ 7,210,745

Village of Newberry, Michigan

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds For the Year Ended December 31, 2021

	Enterprise Funds			Total
	Electric	Water	Sewage	
OPERATING REVENUES:				
Charges for Services	\$ 2,067,575	\$ 944,869	\$ 1,135,019	\$ 4,147,463
TOTAL OPERATING REVENUES	2,067,575	944,869	1,135,019	4,147,463
OPERATING EXPENSES:				
Personnel Services	401,013	253,698	316,160	970,871
Supplies	36,260	12,645	1,822	50,727
Repairs and Maintenance	19,735	7,023	179,520	206,278
Contracted Services	113,253	18,208	122,972	254,433
Insurance	24,828	13,537	26,416	64,781
Depreciation	75,183	280,828	159,088	515,099
Utilities	998,154	6,340	55,827	1,060,321
Other Expenses	48,078	5,132	5,125	58,335
TOTAL OPERATING EXPENSES	1,716,504	597,411	866,930	3,180,845
OPERATING INCOME (LOSS)	351,071	347,458	268,089	966,618
NONOPERATING REVENUES (EXPENSES):				
State Source	-	-	137,176	137,176
Interest Expense	(17,055)	(207,270)	(75,875)	(300,200)
Interest Income	308	1,314	243	1,865
Total Nonoperating Revenues (Expenses)	(16,747)	(205,956)	61,544	(161,159)
CHANGES IN NET POSITION	334,324	141,502	329,633	805,459
NET POSITION, JANUARY 1, as Restated (See Note 14)	2,374,529	1,719,115	2,311,642	6,405,286
NET POSITION, DECEMBER 31	\$ 2,708,853	\$ 1,860,617	\$ 2,641,275	\$ 7,210,745

Village of Newberry, Michigan

Statement of Cash Flows Proprietary Funds For the Year Ended December 31, 2021

	Enterprise Funds			Total
	Electric	Water	Sewage	
Cash Flows from Operating Activities:				
Cash Receipts from Customers	\$ 2,067,354	\$ 1,004,423	\$ 1,033,377	\$ 4,105,154
Cash Payments to Employees for Services	(453,049)	(255,907)	(371,516)	(1,080,472)
Cash Payments to Other Suppliers of Goods or Services	(1,191,262)	(57,876)	(370,090)	(1,619,228)
Net Cash Provided (Used) by Operating Activities	423,043	690,640	291,771	1,405,454
Cash Flows from Non Capital and Related Financing Activities:				
State Sources	-	-	137,176	137,176
Net Cash Provided (Used) by Non Capital and Related Financing Activities	-	-	137,176	137,176
Cash Flows from Capital and Related Financing Activities:				
Principal Payments	(130,000)	(160,000)	(170,000)	(460,000)
Interest Payments	(17,055)	(207,270)	(75,875)	(300,200)
Coop Capital Credits	47,827	-	-	47,827
Purchase of Capital Assets	(1,614)	(296)	(4,902)	(6,812)
Net Cash Provided (Used) by Capital and Related Financing Activities	(100,842)	(367,566)	(250,777)	(719,185)
Cash Flows from Investing Activities:				
Interest Received	308	1,314	243	1,865
Net Cash Provided by Investing Activities	308	1,314	243	1,865
Net Increase (Decrease) in Cash	322,509	324,388	178,413	825,310
Cash and Equivalents, Beginning of Year	840,055	599,367	582,326	2,021,748
Cash and Equivalents, End of Year	\$ 1,162,564	\$ 923,755	\$ 760,739	\$ 2,847,058
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ 351,071	\$ 347,458	\$ 268,089	\$ 966,618
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	75,183	280,828	159,088	515,099
Pension Expense	2,976	-	-	2,976
OPEB Expense	(54,902)	-	(54,902)	(109,804)
(Increase) Decrease in Assets				
Accounts Receivable	(3,648)	(13,557)	(7,383)	(24,588)
Due from Other Governmental Units	-	-	(94,259)	(94,259)
Due from other funds	2,552	-	-	2,552
Prepaid Items	16,275	1,258	2,308	19,841
Increase (Decrease) in Liabilities:				
Accounts Payable	32,771	3,751	19,284	55,806
Accrued Liabilities	(110)	(2,209)	(454)	(2,773)
Unearned Revenue	-	73,111	-	73,111
Customer Deposits	875	-	-	875
Net Cash Provided (Used) by Operating Activities	\$ 423,043	\$ 690,640	\$ 291,771	\$ 1,405,454

See accompanying notes to financial statements.

Notes to Financial Statements

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 deferred 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 \$9,806 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 \$1,334,373 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	\$ 2,315,789	\$ 1,443,560	\$ 3,759,349
Cash and Equivalents – Restricted	<u> -</u>	<u> 1,403,498</u>	<u> 1,403,498</u>
Total	<u>\$ 2,315,789</u>	<u>\$ 2,847,058</u>	<u>\$ 5,162,847</u>

Cash is restricted for bond convents related to water and sewer debt.

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)	\$ 5,162,597
Petty Cash and Cash on Hand	<u> 250</u>
Total	<u>\$ 5,162,847</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, \$4,258,450 of the Village’s bank balance of \$5,162,846 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, 2021 consisted of the following:

		DUE FROM OTHER FUNDS							
		<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Nonmajor Governmental</u>	<u>Electric</u>	<u>Water</u>	<u>Sewage</u>	<u>Total</u>
DUE TO OTHER FUNDS	General	\$ -	\$ 234,768	\$ 72,666	\$ 93,578	\$ -	\$ -	\$ -	\$ 401,012
	Major Street	25,206	-	-	-	37,381	-	-	62,587
	Local Street	10,082	-	-	-	22,768	-	-	32,850
	Nonmajor Governmental	169,148	-	-	12,867	117	-	29	182,161
	Electric	26,660	-	-	-	-	35,799	22,707	85,166
	Water	132,077	-	1,914	-	-	-	-	133,991
	Sewage	393,507	-	-	-	-	-	-	393,507
	Total	<u>\$ 756,680</u>	<u>\$ 234,768</u>	<u>\$ 74,580</u>	<u>\$ 106,445</u>	<u>\$ 60,266</u>	<u>\$ 35,799</u>	<u>\$ 22,736</u>	<u>\$ 1,291,274</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
		General
	Nonmajor Governmental	\$ 22,535

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, 2021, was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions/ Adjustments</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 5,773	\$ -	\$ -	\$ 5,773
<i>Capital assets being depreciated:</i>				
Land Improvements	220,140	-	-	220,140
Buildings and Improvements	1,256,524	-	-	1,256,524
Infrastructure	173,360	-	-	173,360
Equipment	1,958,207	65,243	-	2,023,450
Vehicles	343,648	1,650	-	345,298
Subtotal	<u>3,951,879</u>	<u>66,893</u>	<u>-</u>	<u>4,018,772</u>
<i>Less accumulated depreciation for:</i>				
Land Improvements	(31,045)	(11,007)	-	(42,052)
Buildings and Improvements	(762,285)	(14,026)	-	(776,311)
Infrastructure	(104,016)	(8,668)	-	(112,684)
Equipment	(1,804,698)	(40,421)	-	(1,845,119)
Vehicles	(281,884)	(20,651)	-	(302,535)
Subtotal	<u>(2,983,928)</u>	<u>(94,773)</u>	<u>-</u>	<u>(3,078,701)</u>
Net Capital Assets Being Depreciated	<u>967,951</u>	<u>(27,880)</u>	<u>-</u>	<u>940,071</u>
Capital Assets – Net	<u>\$ 973,724</u>	<u>\$ (27,880)</u>	<u>\$ -</u>	<u>\$ 945,844</u>

NOTE 5 - CAPITAL ASSETS: (Continued)

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

Governmental Activities:		
General Government		\$ 22,970
Public Safety		5,666
Public Works		43,748
Recreation and Cultural		<u>22,389</u>
Total Governmental Activities		<u>\$ 94,773</u>

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions/ Adjustments</u>	<u>Ending Balances</u>
Business-type activities:				
<i>Capital assets not depreciated:</i>				
Land	\$ 15,204	\$ -	\$ -	\$ 15,204
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	284,882	3,941	-	288,823
Electric System	5,094,575	-	-	5,094,575
Sewer System	7,267,114	-	-	7,267,114
Water System	11,752,610	-	-	11,752,610
Infrastructure	85,526	-	-	85,526
Vehicles and Equipment	<u>980,102</u>	<u>2,872</u>	-	<u>982,974</u>
Subtotal	<u>25,464,809</u>	<u>6,813</u>	-	<u>25,471,622</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Improvements	(204,686)	(2,583)	-	(207,269)
Electric System	(3,336,556)	(54,164)	-	(3,390,720)
Sewer System	(2,226,547)	(143,259)	-	(2,369,806)
Water System	(2,850,103)	(274,531)	-	(3,124,634)
Infrastructure	(69,539)	(1,998)	-	(71,537)
Vehicles and Equipment	<u>(733,280)</u>	<u>(38,564)</u>	<u>282</u>	<u>(771,562)</u>
Subtotal	<u>(9,420,711)</u>	<u>(515,099)</u>	<u>282</u>	<u>(9,935,528)</u>
Net Capital Assets Being Depreciated	<u>16,044,098</u>	<u>(508,286)</u>	<u>282</u>	<u>15,536,094</u>
Capital Assets – Net	<u>\$ 16,059,302</u>	<u>\$ (508,286)</u>	<u>\$ 282</u>	<u>\$ 15,551,298</u>

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

Business-type Activities:		
Electric		\$ 75,183
Sewage		159,088
Sewage		<u>280,828</u>
Total Business-type Activities		<u>\$ 515,099</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, 2021 are summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Vested Employee Benefits	\$ 16,681	\$ -	\$ 5,740	\$ 10,941	\$ -
Business-type Activities:					
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%.	130,000	-	65,000	65,000	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%.	205,000	-	65,000	140,000	70,000
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%.	1,873,000	-	41,000	1,832,000	42,000
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%.	254,000	-	5,000	249,000	5,000
2014 Water Supply System Revenue Bond, Series 2014	5,625,000	-	114,000	5,511,000	117,000
2014 Sanitary Sewer System Revenue Bond, Series 2014	3,035,000	-	170,000	2,865,000	175,000
Vested Employee Benefits	<u>46,449</u>	<u>-</u>	<u>2,772</u>	<u>43,677</u>	<u>-</u>
Total Business-type Activities - Long-term Debt	<u>11,168,449</u>	<u>-</u>	<u>462,772</u>	<u>10,705,677</u>	<u>474,000</u>
TOTAL LONG-TERM DEBT	<u>\$ 11,185,130</u>	<u>\$ -</u>	<u>\$ 468,512</u>	<u>\$ 10,716,618</u>	<u>\$ 474,000</u>

NOTE 6 - LONG-TERM DEBT: (Continued)

The annual principal and interest requirements for the years ending December 31, 2021 and after, excluding vested employee benefits are as follows:

Fiscal:	Business-type Activities Bonds Payable	
	Principal	Interest
2022	\$ 474,000	\$ 281,913
2023	418,000	266,128
2024	360,000	253,365
2025	364,000	243,880
2026	374,000	234,269
2027 – 2031	2,032,000	1,016,464
2032 – 2036	2,091,000	729,890
2037 – 2041	1,356,000	495,965
2042 – 2046	1,456,000	285,440
2047 – 2051	1,062,000	140,321
2052 – 2054	675,000	28,922
TOTALS	\$ 10,662,000	\$ 3,976,557

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.

01 – General: Closed to new hires, linked to Division HA	
	2020 Valuation
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	0%
Act 88:	Yes (Adopted 11/20/2017)

02 – Police/Fire: Closed to new hires, linked to Division HA	
	2020 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	3 years
Employee Contributions	0%
Act 88:	Yes (Adopted 11/20/2017)

NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT: (Continued)

10 – Sprvsrs: Closed to new hires, linked to Division HA	
	<u>2020 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	0%
Act 88:	Yes (Adopted 11/20/2017)
11 – Sprvs Lt&Pwr: Closed to new hires, linked to Division HB	
	<u>2020 Valuation</u>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	0%
Act 88:	Yes (Adopted 11/20/2017)
12 – GnrL Lt&Pwr: Closed to new hires, linked to Division HB	
	<u>2020 Valuation</u>
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions	0%
Act 88:	Yes (Adopted 11/20/2017)
HA – All EE’s elig for pen aft 1/1/15: Open Division, linked to Division 01, 02, 10	
	<u>2020 Valuation</u>
Benefit Multiplier:	1.25% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions	0%
Act 88:	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>2020 Valuation</u>
Benefit Multiplier:	1.25% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	-
Final Average Compensation:	3 years
Employee Contributions	0%
Act 88:	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	4.59%

Employees Covered by Benefit Terms

At December 31, 2020, 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, 2021, 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, 2020 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 Pub-2010 General Employees and Healthy Retirees, head-count weighted, MP-2019 scale.

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 January 1, 2014, through December 31, 2018.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.0%	3.15%
Global Fixed Income	20.0%	.25%
Private Investments	20.0%	1.45%

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:

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at December 31, 2020	\$ 4,957,597	\$ 2,945,418	\$ 2,012,179
Service cost	46,722	-	46,722
Interest on total pension liability	362,812	-	362,812
Difference between expected and actual experience	(194,372)	-	(194,372)
Changes in assumptions	149,674	-	149,674
Employer contributions	-	235,514	(235,514)
Net investment income	-	405,667	(405,667)
Benefit payments, including employee refunds	(414,234)	(414,234)	-
Administrative expense	-	(4,654)	4,654
Other changes	(6,681)	(1)	(6,680)
Net changes	(56,079)	222,292	(278,371)
Balances as of December 31, 2021	\$ 4,901,518	\$ 3,167,710	\$ 1,733,808

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:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
Village's net pension liability	\$2,196,509	\$1,733,808	\$1,338,170

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, 2021, the Village recognized pension expense of \$250,529. At December 31, 2021, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 97,186
Changes in assumptions	74,838	-
Net difference between projected and actual earnings on pension plan investments	-	229,414
Total	<u>\$ 74,838</u>	<u>\$ 326,600</u>

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

Year Ended December 31:	
2022	\$ (49,775)
2023	(96,290)
2024	(66,514)
2025	(39,183)

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, 2021, 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, 2021. 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	2.25% (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 2.25%. 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

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balances at December 31, 2020	\$ 682,638	\$ -	\$ 682,638
Service cost	-	-	-
Interest	11,990	-	11,990
Assumption Changes	(3,616)	-	(3,616)
Difference between expected and actual experience	-	-	-
Contributions	-	122,753	(122,753)
Expected net investment income	-	-	-
Benefit payments	(122,753)	(122,753)	-
Net changes	<u>(114,379)</u>	<u>-</u>	<u>(114,379)</u>
Balances as December 31, 2021	<u>\$ 568,259</u>	<u>\$ -</u>	<u>\$ 568,259</u>

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	\$592,354	\$568,259	\$546,370

	<u>Trend Rates</u>		
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$549,211	\$568,259	\$588,432

OPEB Expense

For the year ended December 31, 2021, the Village recognized an OPEB expense as follows:

	<u>12/31/2021</u>
Service Cost	\$ -
Interest	11,990
Amortization of Deferred Charges:	
Difference between expected and actual experience	6,193
Changes of assumptions or other inputs	(9,809)
Difference between expected and actual return on investments	-
Net OPEB Expense	<u>\$ 8,374</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, 2021.

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, 2021, the Village has capital credits outstanding of \$546,533. 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:			
General Government	\$ 240,767	\$ 297,707	\$ (56,940)

NOTE 14 - RESTATEMENTS:

	<u>Governmental Net Position</u>	<u>Business-type Net Position</u>
Beginning net position as previously stated at January 1, 2021	\$ 1,299,754	\$ 7,303,367
Restatement to adjust cash	<u>374,469</u>	<u>(898,081)</u>
Beginning net position, as restated at January 1, 2021	<u>\$ 1,674,223</u>	<u>\$ 6,405,286</u>
		<u>Local Street Fund</u>
Beginning fund balance as previously stated at January 1, 2021		\$ 192,476
Restatement to adjust cash		<u>374,469</u>
Beginning fund balance, as restated at January 1, 2021		<u>\$ 566,945</u>

NOTE 14 - RESTATEMENTS: (Continued)

	<u>Statement of Revenues, Expenditures, and Changes in Net Position</u>		
	<u>Enterprise Funds – Net Position</u>		
	<u>Electric</u>	<u>Water</u>	<u>Sewage</u>
Beginning net position as previously stated at January 1 2021	\$ 2,488,932	\$ 2,569,591	\$ 2,244,844
Restatement to adjust cash	<u>(114,403)</u>	<u>(850,476)</u>	<u>66,798</u>
Beginning net position, as restated January 1, 2021	<u>\$ 2,374,529</u>	<u>\$ 1,719,115</u>	<u>\$ 2,311,642</u>

Required Supplementary Information

Village of Newberry, Michigan

Required Supplementary Information Employee Retirement and Benefit Systems Schedule of Changes in Pension Liability For the Year Ended December 31, 2021

	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service cost	\$ 46,722	\$ 44,704	\$ 52,290	\$ 51,841	\$ 50,379	\$ 56,321	\$ 57,323
Interest	362,812	349,617	358,630	359,296	355,645	347,836	341,332
Difference between expected and actual experience	(194,372)	33,898	124,221	(43,893)	(6,626)	(55,600)	(58,770)
Changes in assumptions	149,674	146,595	-	-	-	203,073	196,558
Benefit payments, including refund of member contributions	(414,234)	(420,613)	(394,512)	(361,584)	(322,580)	(308,458)	(294,636)
Other changes	(6,681)	15,221	(6,444)	2,260	(12,408)	(155,433)	(3,924)
Net change in total pension liability	(56,079)	169,422	134,185	7,920	64,410	87,739	237,883
Total pension liability - beginning	4,957,597	4,788,175	4,653,990	4,646,070	4,581,660	4,493,921	4,256,038
Total pension liability - ending	<u>\$ 4,901,518</u>	<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>
Plan fiduciary net position							
Contributions - employer	\$ 235,514	\$ 200,511	\$ 180,502	\$ 163,110	\$ 160,210	\$ 243,380	\$ 139,838
Contributions - employee	-	-	-	-	-	-	-
Net investment income	405,667	336,684	355,962	(111,357)	364,244	292,473	(40,303)
Benefit payments, including refunds of member contributions	(414,234)	(420,613)	(394,512)	(361,584)	(322,580)	(308,458)	(294,636)
Administrative expense	(4,654)	(5,529)	(6,130)	(5,703)	(5,780)	(5,778)	(5,987)
Other changes	(1)	(1)	-	-	-	1	(1)
Net change in plan fiduciary net position	222,292	111,052	135,822	(315,534)	196,094	221,618	(201,089)
Plan fiduciary net position - beginning	2,945,418	2,834,366	2,698,544	3,014,078	2,817,984	2,596,366	2,797,455
Plan fiduciary net position - ending	<u>\$ 3,167,710</u>	<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>
Village's net pension liability - ending	<u>\$ 1,733,808</u>	<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>
Plan fiduciary net position as a percentage of the total pension liability	65%	59%	59%	58%	65%	62%	58%
Covered - employee payroll	\$ 681,388	\$ 632,544	\$ 700,673	\$ 703,254	\$ 647,812	\$ 675,376	\$ 675,376
Village's net pension liability as a percentage of covered-employee payroll	254%	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, 2021

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 200,511	\$ 200,511	\$ 180,502	\$ 163,107	\$ 160,211	\$ 243,380	\$ 139,838
Contributions in relation to the actuarially determined contribution	<u>235,514</u>	<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>\$ (35,003)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 681,388	\$ 632,544	\$ 700,673	\$ 703,254	\$ 647,812	\$ 675,376	\$ 537,871
Contributions as a percentage of covered-employee payroll	35%	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	18 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	Mortality rates used were based on the Pub-2010 General Employees and Healthy Retirees, head-count weighted MP-2019 scale.

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, 2021

	2021	2020	2019	2018
Total OPEB Liability - Beginning of Year	\$ 682,638	\$ 819,430	\$ 898,439	\$ 1,010,532
Service cost	-	-	1,124	1,085
Interest	11,990	24,873	29,991	34,794
Assumption changes and differences between actual and expected experience	(3,616)	(48,760)	41,166	11,179
Benefit payments	(122,753)	(112,905)	(151,290)	(159,151)
OPEB Liability - End of Year	<u>\$ 568,259</u>	<u>\$ 682,638</u>	<u>\$ 819,430</u>	<u>\$ 898,439</u>
Plan fiduciary net position				
Contributions - employer	\$ 122,753	\$ 112,905	\$ 151,290	\$ 159,151
Net investment income	-	-	-	-
Benefit payments	(122,753)	(112,905)	(151,290)	(159,151)
Administrative expense	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - Beginning of Year	-	-	-	-
Plan fiduciary net position - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability - End of Year	<u>\$ 568,259</u>	<u>\$ 682,638</u>	<u>\$ 819,430</u>	<u>\$ 898,439</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%
Covered Payroll	\$ 48,628	\$ 41,714	\$ 147,717	\$ 156,362
Net OPEB liability as a percentage of covered payroll	1168.58%	1636.47%	554.73%	574.59%
Schedule of Employer Contributions				
Actuarially determined contribution	178,973	180,257	170,550	153,536
Actual Contribution	122,753	112,905	151,290	144,732
Contribution deficiency/(excess)	<u>\$ 56,220</u>	<u>\$ 67,352</u>	<u>\$ 19,260</u>	<u>\$ 8,804</u>
Covered Payroll	\$ 48,628	\$ 41,714	\$ 147,717	\$ 156,362
ADC as a percentage of payroll	368.05%	432.13%	115.46%	98.19%

Key Assumptions:

Actuarial Cost Method	Entry age normal (percent of compensation)
Discount rate	2.25% for December 31, 2020 liability and 2021 contribution
	Rationale - 20 year S&P municipal bond high grade rate index
20-year Aa Municipal Bond Rate	2.25%
Inflation	N/A
Payroll Inflation	N/A
Mortality	Public General and Public Safety 2010 Employee and Healthy Retiree, Head-count weighted

Village of Newberry, Michigan

Required Supplementary Information Budgetary Comparison Schedule General Fund Year Ended December 31, 2021

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 260,800	\$ 260,800	\$ 420,971	\$ 160,171
Licenses and Permits	200	200	265	65
State Sources	192,800	192,800	333,528	140,728
Charges for Services	92,600	92,600	132,566	39,966
Fines and Forfeits	100	100	898	798
Interest and Rentals	9,300	9,300	3,924	(5,376)
Other Revenue	192,500	192,500	322,786	130,286
TOTAL REVENUES	748,300	748,300	1,214,938	466,638
EXPENDITURES				
General Government:				
Village Council	15,535	15,535	13,826	1,709
Village President	4,662	4,662	4,365	297
Village Manager	23,250	23,250	23,292	(42)
Village Administration	68,540	68,540	111,786	(43,246)
Audit	20,000	20,000	27,225	(7,225)
Attorney	20,000	20,000	12,090	7,910
Village Clerk	16,660	16,660	15,352	1,308
Village Treasurer	10,910	10,910	10,004	906
Ordinance Officer	10,300	10,300	9,713	587
Building and Grounds	50,910	50,910	70,054	(19,144)
Total General Government	240,767	240,767	297,707	(56,940)
Public Safety:				
Police Department	58,300	58,300	50,449	7,851
Public Works:				
Department of Public Works	94,450	94,450	86,792	7,658
Alley Clean Up	57,180	57,180	48,132	9,048
Street Lighting	19,000	19,000	19,459	(459)
Motor Pool	97,480	97,480	86,613	10,867
Storm Sewer	10,660	10,660	19,435	(8,775)
Rubbish and Garbage	82,070	82,070	83,445	(1,375)
Total Public Works	360,840	360,840	343,876	16,964
Recreational and Cultural:				
Parks and Recreation	8,460	8,460	14,425	(5,965)
Capital Outlay	60,000	60,000	61,527	(1,527)
TOTAL EXPENDITURES	728,367	728,367	767,984	(39,617)

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	19,933	19,933	446,954	427,021
OTHER FINANCING SOURCES (USES)				
Transfers (Out)	(6,200)	(6,200)	(22,535)	(16,335)
TOTAL OTHER FINANCING SOURCES (USES)	(6,200)	(6,200)	(22,535)	(16,335)
NET CHANGE IN FUND BALANCE	\$ 13,733	\$ 13,733	424,419	\$ 410,686
FUND BALANCE, BEGINNING OF YEAR			1,222,656	
FUND BALANCE, END OF YEAR			\$ 1,647,075	

Village of Newberry, Michigan

**Required Supplementary Information
Budgetary Comparison Schedule
Major Street Fund
Year Ended December 31, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
State Sources	\$ 180,500	\$ 180,500	\$ 187,714	\$ 7,214
TOTAL REVENUES	180,500	180,500	187,714	7,214
EXPENDITURES				
Public Works	149,270	149,270	71,023	78,247
TOTAL EXPENDITURES	149,270	149,270	71,023	78,247
NET CHANGE IN FUND BALANCE	<u>\$ 31,230</u>	<u>\$ 31,230</u>	116,691	<u>\$ 85,461</u>
FUND BALANCE, BEGINNING OF YEAR			334,160	
FUND BALANCE, END OF YEAR			<u>\$ 450,851</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Local Street Fund
Year Ended December 31, 2021**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 77,000	\$ 77,000	\$ 156,081	\$ 79,081
State Sources	72,240	72,240	76,233	3,993
TOTAL REVENUES	<u>149,240</u>	<u>149,240</u>	<u>232,314</u>	<u>83,074</u>
EXPENDITURES				
Public Works	140,245	140,245	105,871	34,374
TOTAL EXPENDITURES	<u>140,245</u>	<u>140,245</u>	<u>105,871</u>	<u>34,374</u>
NET CHANGE IN FUND BALANCE	<u>\$ 8,995</u>	<u>\$ 8,995</u>	126,443	<u>\$ 117,448</u>
FUND BALANCE, BEGINNING OF YEAR			<u>566,945</u>	
FUND BALANCE, END OF YEAR			<u>\$ 693,388</u>	

Other Information

**Schedule of Bond Covenant Cash Reserves
Required and Actual Balances
December 31, 2021**

	<u>Required Balance</u>	<u>Actual Balance</u>
Water Fund - Restricted Cash		
Operation and Maintenance Funds	\$ 229,789	\$ 33,606
Bond and Interest Redemption		
Series 2005 Revenue Bond	39,190	39,190
Series 2009 Revenue Bond	5,090	5,090
Series 2014 Revenue Bond	64,313	64,313
Bond Reserves		
Series 2005 Revenue Bond	130,000	130,000
Series 2009 Revenue Bond	16,000	16,000
Series 2014 Revenue Bond	163,800	163,800
Repair, Replacement and Improvement Accounts		
Series 2005 Revenue Bond	313,920	313,920
Series 2014 Revenue Bond	157,836	157,836
	<u>\$ 1,119,938</u>	<u>\$ 923,755</u>
Sewer Fund Restricted Cash		
Operation and Maintenance Funds	\$ 84,775	\$ 84,775
Bond and Interest Redemption		
Series 2014 Revenue Bond	62,364	62,364
Bond Reserves		
Series 2014 Revenue Bond	178,589	178,589
	<u>\$ 325,728</u>	<u>\$ 325,728</u>

Village of Newberry, Michigan

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2021**

	Special Revenue Funds			Capital Project Funds		Total
	Fire Capital	Fire Revolving	Fire Millage	TORC	Atlas Park	
ASSETS:						
Cash and Equivalents	\$ 876	\$ 158,311	\$ 82,613	\$ -	\$ -	\$ 241,800
Accounts Receivable	-	44,644	-	-	-	44,644
Taxes Receivable	-	-	4,298	-	-	4,298
Prepaid Items	-	4,424	-	-	-	4,424
Due From Other Funds	28,149	31,670	46,626	-	-	106,445
TOTAL ASSETS	\$ 29,025	\$ 239,049	\$ 133,537	\$ -	\$ -	\$ 401,611
LIABILITIES:						
Accounts Payable	\$ -	\$ 3,808	\$ -	\$ -	\$ -	\$ 3,808
Unearned Revenue	-	-	21,084	-	-	21,084
Due to Other Funds	-	169,294	12,867	-	-	182,161
TOTAL LIABILITIES	-	173,102	33,951	-	-	207,053
FUND BALANCE:						
Nonspendable	-	4,424	-	-	-	4,424
Restricted	29,025	61,523	99,586	-	-	190,134
TOTAL FUND BALANCES	29,025	65,947	99,586	-	-	194,558
TOTAL LIABILITIES AND FUND BALANCES	\$ 29,025	\$ 239,049	\$ 133,537	\$ -	\$ -	\$ 401,611

Village of Newberry, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended December 31, 2021

	Special Revenue Funds			Capital Project Fund		Total
	Fire Capital	Fire Revolving	Fire Millage	TORC	Atlas Park	
REVENUES						
Taxes	\$ -	\$ 37,008	\$ 9,301	\$ -	\$ -	\$ 46,309
State Sources	-	18,288	-	-	-	18,288
Charges for Service	-	96,992	-	-	-	96,992
Interest and Rentals	99	151	-	-	-	250
TOTAL REVENUES	99	152,439	9,301	-	-	161,839
EXPENDITURES						
Public Safety	-	142,470	-	-	-	142,470
TOTAL EXPENDITURES	-	142,470	-	-	-	142,470
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	99	9,969	9,301	-	-	19,369
OTHER FINANCING SOURCES (USES)						
Transfers In	-	-	-	16,411	6,124	22,535
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	16,411	6,124	22,535
NET CHANGE IN FUND BALANCE	99	9,969	9,301	16,411	6,124	41,904
FUND BALANCE, BEGINNING OF YEAR	28,926	55,978	90,285	(16,411)	(6,124)	152,654
FUND BALANCE, END OF YEAR	\$ 29,025	\$ 65,947	\$ 99,586	\$ -	\$ -	\$ 194,558

Report on Compliance



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, 2021, 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 May 27, 2022.

Report on 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) as a basis for designing 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.

Honorable President and Members
of the Village Council

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a significant deficiency.

Report on 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 statements. 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2021-001.

Village of Newberry, Michigan's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Village of Newberry, Michigan's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Village of Newberry, Michigan's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

May 27, 2022

Compliance and Other Matters

Significant Deficiencies – Noncompliance with State Statutes

Excess Expenditures Over Appropriations

Finding 2021-001

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 2021 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, 2021, 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, 2021, 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:			
General Government	\$ 240,767	\$ 297,707	\$ (56,940)

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



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

KENNETH A. TALSMA, 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

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, 2021, and have issued our report thereon May 27, 2022. 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 May 2, 2022 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 May 2, 2022.

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 has not changed accounting policies in 2021. 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 \$6,340.
- 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 May 27, 2022.

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.

Cash Reserve Requirements

At year end the Village's bond reserve in the water fund was under funded by \$196,183. We recommend the Village monitor cash reserves to ensure requirements are met.

Upcoming Pronouncements:

GASB 87 – Single Approach for Reporting Leases

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.

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.

GASB Statement No. 96 – Subscription based Information Technology Arrangements

In May 2020, GASB issued Statement No. 96, *Subscription based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) established that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Village is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

GASB Statement No. 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

This standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately. It also clarifies when a 457 plan should be considered a pension plan or another employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The Village is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of the statement that relate to 457 plans are effective for the Village's financial statements for the year ending March 31, 2023.

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.

A handwritten signature in blue ink that reads "Anderson, Tackman & Co. PLC".

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

May 27, 2022