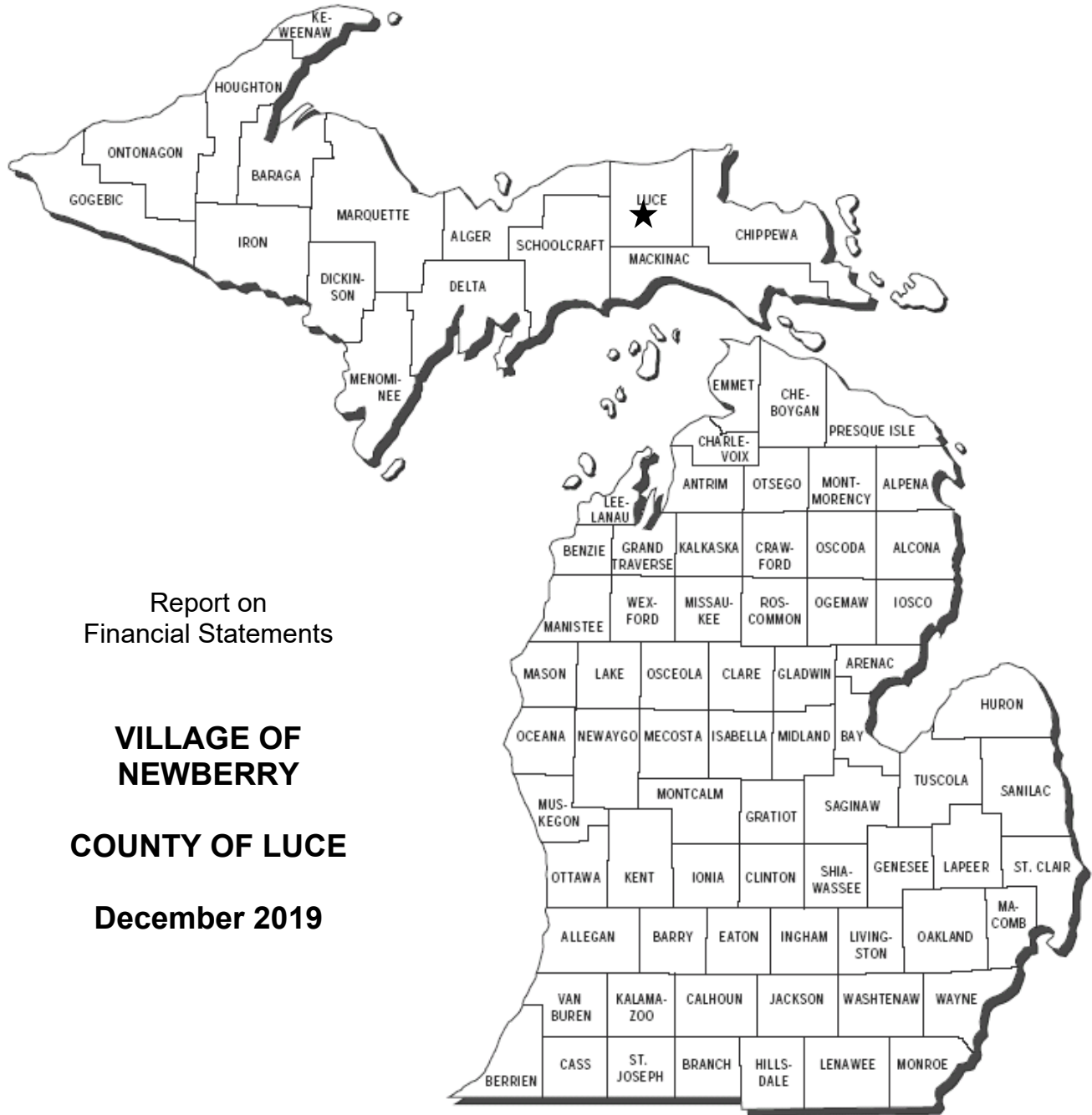


STATE OF MICHIGAN

Gretchen Whitmer, Governor

DEPARTMENT OF TREASURY

Rachael Eubanks, State Treasurer



Report on
Financial Statements

**VILLAGE OF
NEWBERRY**

COUNTY OF LUCE

December 2019

VILLAGE OF NEWBERRY—LUCE COUNTY

VILLAGE COUNCIL

June 10, 2021

Catherine Freese
President

Lori A. Stokes
President Pro-Tem

Daniel Hardenbrook
Trustee

Dennis Hendrickson
Trustee

Kip Cameron
Trustee

Jeffrey Puckett
Trustee

Darrell Schummer
Trustee

Allison Watkins
Village Manager

Terese Schummer
Clerk

VILLAGE POPULATION--2010

1,519

TAXABLE VALUATION--2019

\$17,659,940



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

June 10, 2021

Village of Newberry
302 E. McMillan Ave
Newberry, Michigan 49868

Independent Auditor's Report

Dear Council Members:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Newberry, Luce County, Michigan, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Village of Newberry's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to

design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Newberry, Luce County, Michigan, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 7 as well as budgetary comparison information in Exhibit H, schedule of changes in the net pension liability, the schedule of pension contributions, schedule of changes in the net OPEB liability and the schedule of OPEB contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Newberry's basic financial statements. The accompanying supplementary and related information presented in Exhibits I through L and the schedule of bond covenant cash reserves is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary and related information presented in Exhibits I through L and the schedule of bond covenant reserves 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary and related information presented in Exhibits I through L and the schedule of bond covenant reserves is 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 Standards*, we have also issued our report dated June 10, 2021, on our consideration of the Village of Newberry'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'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's internal control over financial reporting and compliance.

Sincerely,



Cary Jay Vaughn, CPA, CGFM

Audit Manager

Community Engagement and Finance Division

VILLAGE OF NEWBERRY

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VILLAGE OF NEWBERRY--LUCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended December 31, 2019

Our discussion and analysis of the Village of Newberry's (Village) financial performance provides an overview of the Village's financial activities for the year ended December 31, 2019.

USING THIS ANNUAL REPORT

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. This report also contains supplementary information in addition to the basic financial statements. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities on Exhibit A and B provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements start with Exhibit C. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide statements by providing information about the Village's most significant funds. The remaining statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside of the government.

REPORTING THE VILLAGE AS A WHOLE

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the Village's finances is, "Is the Village as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Village as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Village's net position and changes in them. You can think of the Village's net position — the difference between assets and liabilities—as one way to measure the Village's financial health, or financial position. Over time, increases or decreases in the Village's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Village's property tax base and the condition of the Village's infrastructure, to assess the overall health of the Village.

In the Statement of Net Position and the Statement of Activities we divide the Village into two kinds of activities:

- Governmental activities--Most of the Village's basic services are reported here, including the fire, public works, and general administration. Property taxes and state grants finance most of these activities.

VILLAGE OF NEWBERRY--LUCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended December 31, 2019

- Business-type activities--The Village charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Village's sewer, water and electric systems are reported here.

REPORTING THE VILLAGE'S MAJOR FUND

Fund Financial Statements

Our analysis of the Village's major funds begins with Exhibit C and D with additional information provided in Note A of the Notes to the Financial Statements. The special revenue funds are required to be established by state law such as the Major Street Fund and the Local Street Fund. The Village's two kinds of funds, governmental and proprietary, use different accounting approaches.

- *Governmental funds*—Most of the Village's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation at Exhibit C-1 and Exhibit D-1.
- *Proprietary funds*—When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Village's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Additional Required Supplementary Information (RSI)

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes budgetary comparison schedules, pension related data and the OPEB related data.

VILLAGE OF NEWBERRY--LUCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended December 31, 2019

THE VILLAGE AS A WHOLE

The Village's combined net position increased from \$5,976,841 to \$7,205,189 or \$1,228,348 for the year ended December 31, 2019. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the Village's governmental and business-type activities.

Table 1
Net Position of Governmental and Business Type Activities

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	Primary Government 2018	2019
Current and Other Assets	\$ 1,182,407	\$ 1,609,290	\$ 1,920,254	\$ 2,458,639	\$ 3,102,661	\$ 4,067,929
Non-current Assets	546,773	625,321	18,012,047	17,602,699	18,558,820	18,228,020
Total Assets	1,729,180	2,234,611	19,932,301	20,061,338	21,661,481	22,295,949
Deferred Outflows of Resources	166,841	76,676	41,710	19,169	208,551	95,845
Current Liabilities	45,065	15,018	829,869	719,521	874,934	734,539
Non-current Liabilities	1,603,431	1,599,917	13,392,879	12,852,149	14,996,310	14,452,066
Total Liabilities	1,648,496	1,614,935	14,222,748	13,571,670	15,871,244	15,186,605
Deferred Inflows of Resources	17,558	-	4,389	-	21,947	-
Net Position						
Net Investment in Capital Assets	543,730	622,278	4,827,474	4,834,679	5,371,204	5,456,957
Restricted	516,986	532,180	445,380	489,008	962,366	1,021,188
Unrestricted	(830,749)	(458,106)	474,020	1,185,150	(356,729)	727,044
Total Net Position	\$ 229,967	\$ 696,352	\$ 5,746,874	\$ 6,508,837	\$ 5,976,841	\$ 7,205,189

The net position of the Village's governmental activities increased by 203%, or \$466,385 (\$696,352 compared to \$229,967). The net investment in capital assets increased as the Village capital additions were greater than depreciation expense for the year. This increase in the restricted net position was due to keeping expenses at a minimum. The increase in unrestricted net position was mainly due to the revenues being in excess of expenditures.

The net position of the Village's business-type activities increased by 13%, or \$761,963 (\$6,508,837 compared to \$5,746,874). There was no significant change in net investment in capital assets or restricted net position. The increase in the unrestricted net position was due to the overall decrease in expenditures in 2019.

VILLAGE OF NEWBERRY--LUCE COUNTY

MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended December 31, 2019

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2019	2018	2019	2018	2019
	Program Revenue					
Charges for Services	\$ 172,586	\$ 188,954	\$ 4,470,041	\$ 4,431,870	\$ 4,642,627	\$ 4,620,824
Operating Grants and Contributions	2,650	36,911	-	-	2,650	36,911
Capital Grants and Contributions	-	129,250	-	-	-	129,250
General Revenue						
Property Taxes	420,280	373,626	-	-	420,280	373,626
State-Shared Revenues	534,265	445,376	-	-	534,265	445,376
Unrestricted Investment Earnings	4,574	19,494	3,146	3,222	7,720	22,716
Other	452,448	460,057	-	-	452,448	460,057
Total Revenues	<u>1,586,803</u>	<u>1,653,668</u>	<u>4,473,187</u>	<u>4,435,092</u>	<u>6,059,990</u>	<u>6,088,760</u>
Program Expenses						
General Government	583,377	309,380	-	-	583,377	309,380
Public Safety	76,823	34,888	-	-	76,823	34,888
Public Works	720,636	836,785	-	-	720,636	836,785
Other	3,767	-	-	-	3,767	-
Recreation and Cultural	1,604	6,231	-	-	1,604	6,231
Sewer	-	-	941,665	972,748	941,665	972,748
Water	-	-	924,770	942,466	924,770	942,466
Electric	-	-	2,069,157	1,757,915	2,069,157	1,757,915
Total Expenses	<u>1,386,207</u>	<u>1,187,284</u>	<u>3,935,592</u>	<u>3,673,129</u>	<u>5,321,799</u>	<u>4,860,413</u>
Change in Net Position	<u>\$ 200,596</u>	<u>\$ 466,384</u>	<u>\$ 537,595</u>	<u>\$ 761,963</u>	<u>\$ 738,191</u>	<u>\$ 1,228,347</u>

Governmental Activities

The total revenues for the Village’s governmental activities increased by 4% (\$66,865), while expenses decreased 14% (\$198,923). The primary reason for the increase in revenues was due to an increase in state grants. The primary reason for the decrease in expenditures is due the decrease in general government expenditures as a result of the village manager position being open part of the year.

VILLAGE OF NEWBERRY--LUCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended December 31, 2019

Business-Type Activities

The revenues for the Village's business-type activities decreased by 1% (\$38,095), while expenses decreased 7% (\$262,463). The Village did not have any significant changes in revenues during 2019. The decrease in the expenditures is mainly due to the decrease in professional and contractual services and administrative charges in the Electric fund.

THE VILLAGE'S FUNDS

As the Village completed the year, its General Fund (as presented in the balance sheet on Exhibit C) reported a fund balance of \$1,040,402, which is more than last year's \$664,207. The primary reasons for the governmental funds' increase mirror the governmental activities analysis highlighted in the prior paragraph. The General Fund was the Village's only major governmental fund in fiscal year end December 31, 2019.

The General Fund pays for most of the Village's governmental services. The most significant are for general government and public works activities. These services are supported by the operating millage and State-shared revenues. The Major Street Fund and the Local Street Fund performs public works and account for the Michigan Transportation Funds received from the State and the maintenance performed on the Village's street system. Variations in the Sewer, Water and Electric Funds parallel changes previously noted in the business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHT

Over the course of the year, the Village's budget was monitored monthly to continuously evaluate the financial position of the Village. Adjustments were approved throughout the year to try and take into account the activities of the Village for the year. The Village continues to be conservative in its budgeting. However, there were still several budget overages for the increased activity for the year in the General Fund.

VILLAGE OF NEWBERRY--LUCE COUNTY

MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended December 31, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2019, the Village had \$17,109,957 invested in a broad range of capital assets, including land, buildings, land improvements, vehicles, equipment, street and sidewalk infrastructure, and water and sewer infrastructure. This amount represents a net decrease (including additions and deductions) of \$374,428.

Table 3
Capital Assets at Year-End

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	Primary Government	
					2018	2019
Land	\$ 5,773	\$ 5,773	\$ 15,204	\$ 15,204	\$ 20,977	\$ 20,977
Land Improvements	178,115	220,140	-	-	178,115	220,140
Construction in Progress	-	-	4,658,815	-	4,658,815	-
Buildings and Improvements	869,687	869,687	221,320	221,320	1,091,007	1,091,007
Vehicles and Equipment	2,206,561	2,275,098	974,209	950,726	3,180,770	3,225,824
Infrastructure	173,360	173,360	-	85,526	173,360	258,886
Electric System	-	-	5,094,575	5,094,575	5,094,575	5,094,575
Sewer System	-	-	2,608,299	7,267,114	2,608,299	7,267,114
Water System	-	-	11,752,610	11,752,610	11,752,610	11,752,610
Total Capital Assets	3,433,496	3,544,058	25,325,032	25,387,075	28,758,528	28,931,133
Total Accumulated Depreciation	(2,889,766)	(2,921,780)	(8,384,377)	(8,899,396)	(11,274,143)	(11,821,176)
Total Net Capital Assets	<u>\$ 543,730</u>	<u>\$ 622,278</u>	<u>\$ 16,940,655</u>	<u>\$ 16,487,679</u>	<u>\$ 17,484,385</u>	<u>\$ 17,109,957</u>

This fiscal year’s capital asset addition in the governmental activities included land improvements and park equipment. The capital asset additions in the business-type activities were sewer system improvements and equipment.

More detailed information about the Village’s capital assets is presented in Note F to the financial statements.

Debt

As of December 31, 2019, the Village had \$11,653,000 in bonds outstanding versus \$12,113,181 from the previous year, a decrease of \$460,181, as shown in Table 4. The Village did have additional draw downs on their revenue bond for the sewer project for fiscal year ending December 31, 2019. The increase is offset by the continued scheduled payments on the debt obligations.

VILLAGE OF NEWBERRY--LUCE COUNTY

MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended December 31, 2019

Table 4
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2019	2018	2019	2018	2019
Bonds Payable	\$ -	\$ -	\$ 12,113,181	\$ 11,653,000	\$ 12,113,181	\$ 11,653,000
Total Outstanding Debt	\$ -	\$ -	\$ 12,113,181	\$ 11,653,000	\$ 12,113,181	\$ 11,653,000

More detailed information about the Village’s long-term debt obligations is presented in Note H to the financial statements. In addition to the debt obligations shown in Table 4, the Village had \$25,827 in vested employee benefits payable presented in more detail in Note I to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

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

CONTACTING THE VILLAGE’S FINANCIAL MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village’s finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Village's office at: 302 E. McMillan Ave, Newberry, MI 49868 or by calling 906-293-3433.

VILLAGE OF NEWBERRY--LUCE COUNTY
 GOVERNMENT-WIDE STATEMENT OF NET POSITION
 December 31, 2019

EXHIBIT A

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets			
Cash and Cash Equivalents	\$ 812,479	\$ 1,710,361	\$ 2,522,840
Receivables (Net)			
Taxes Receivables	45,986	-	45,986
Accounts (Net)	44,639	638,479	683,118
Due From State	214,875	109,800	324,675
Internal Balance	491,311	-	491,311
Total Current Assets	<u>1,609,290</u>	<u>2,458,640</u>	<u>4,067,930</u>
Non-Current Assets			
Restricted Cash	-	489,008	489,008
Long-Term Receivable	3,043	-	3,043
Capital Credits in Co-op	-	626,012	626,012
Capital Assets--Depreciating	396,365	16,472,475	16,868,840
Capital Assets--Non-Depreciating	225,913	15,204	241,117
Total Assets	<u>2,234,611</u>	<u>20,061,339</u>	<u>22,295,950</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows - Changes in Pension Investments	10,425	2,606	13,031
Deferred Outflows - Changes in Pension Experience	66,251	16,563	82,814
Total Deferred Outflows of Resources	<u>76,676</u>	<u>19,169</u>	<u>95,845</u>
Current Liabilities			
Accounts Payable	8,360	89,987	98,347
Accrued Liabilities	6,658	73,795	80,453
Customer Deposit	-	43,626	43,626
Internal Balance	-	491,311	491,311
Other Liabilities	-	20,803	20,803
Non-Current Liabilities			
Bonds Payable--Due Within One Year	-	531,000	531,000
Bonds Payable--Due in More Than One Year	-	11,122,000	11,122,000
Net Pension Liability	1,562,182	391,627	1,953,809
Other Post-Employment Benefits Payable	32,777	786,653	819,430
Vested Employee Benefits Payable--Due Within One Year	4,958	20,869	25,827
Total Liabilities	<u>1,614,935</u>	<u>13,571,671</u>	<u>15,186,606</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	622,278	4,834,679	5,456,957
Restricted	532,180	489,008	1,021,188
Unrestricted	(458,106)	1,185,150	727,044
Total Net Position	<u>\$ 696,352</u>	<u>\$ 6,508,837</u>	<u>\$ 7,205,189</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF NEWBERRY--LUCE COUNTY
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended December 31, 2019

EXHIBIT B

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	Expenses	Charges for Services	Operating	Capital	PRIMARY GOVERNMENT		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$ 309,380	\$ 107,891	\$ -	\$ -	\$ (201,489)	\$ -	\$ (201,489)
Public Safety	34,888	81,063	17,060	-	63,235	-	63,235
Public Works	836,785	-	19,851	-	(816,934)	-	(816,934)
Recreational and Cultural	6,231	-	-	129,250	123,019	-	123,019
Total Governmental Activities	<u>1,187,284</u>	<u>188,954</u>	<u>36,911</u>	<u>129,250</u>	<u>(832,169)</u>	<u>-</u>	<u>(832,169)</u>
Business-Type Activities							
Electric	1,757,915	2,211,822	-	-	-	453,907	453,907
Sewer	972,748	1,284,203	-	-	-	311,455	311,455
Water	942,466	935,845	-	-	-	(6,621)	(6,621)
Total Business-Type Activities	<u>3,673,129</u>	<u>4,431,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>758,741</u>	<u>758,741</u>
Total Primary Government	<u>\$ 4,860,413</u>	<u>\$ 4,620,824</u>	<u>\$ 36,911</u>	<u>\$ 129,250</u>	<u>(832,169)</u>	<u>758,741</u>	<u>(73,428)</u>
			General Revenues				
			Property Taxes		373,626	-	373,626
			State-Shared Revenues		445,376	-	445,376
			Unrestricted Investment Earnings		19,494	3,222	22,716
			Other Revenues		460,057	-	460,057
			Total General Revenues		<u>1,298,553</u>	<u>3,222</u>	<u>1,301,775</u>
			Change in Net Position		466,384	761,963	1,228,347
			Net Position--Beginning		<u>229,968</u>	<u>5,746,874</u>	<u>5,976,842</u>
			Net Position--Ending		<u>\$ 696,352</u>	<u>\$ 6,508,837</u>	<u>\$ 7,205,189</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF NEWBERRY--LUCE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2019

EXHIBIT C

	<u>General</u>	<u>Non-major Governmental</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 443,448	\$ 369,031	\$ 812,479
Receivables			
Taxes Receivable	31,373	14,613	45,986
Accounts (Net)	7,718	36,921	44,639
Due from State	46,371	168,504	214,875
Due from Other Funds	951,832	425,102	1,376,934
Long-Term Receivable	3,043	-	3,043
Total Assets	<u>\$ 1,483,785</u>	<u>\$ 1,014,171</u>	<u>\$ 2,497,956</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 4,374	\$ 3,986	\$ 8,360
Due to Other Funds	407,671	477,952	885,623
Accrued Liabilities	6,605	53	6,658
Total Liabilities	<u>418,650</u>	<u>481,991</u>	<u>900,641</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenues	24,733	-	24,733
Total Deferred Inflows of Resources	<u>24,733</u>	<u>-</u>	<u>24,733</u>
<u>FUND BALANCE</u>			
Non-Spendable for:			
Due from Sewer Fund	393,507	-	393,507
Restricted for:			
Streets	-	374,587	374,587
Fire Capital Purchases	-	28,926	28,926
Fire Operations	-	140,373	140,373
Unassigned	646,895	(11,706)	635,189
Total Fund Balance	<u>1,040,402</u>	<u>532,180</u>	<u>1,572,582</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,483,785</u>	<u>\$ 1,014,171</u>	<u>\$ 2,497,956</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF NEWBERRY--LUCE COUNTY
 RECONCILIATION OF FUND BALANCE OF GOVERNMENTAL
 FUNDS TO THE STATEMENT OF NET POSITION
 December 31, 2019

EXHIBIT C-1

FUND BALANCES---TOTAL GOVERNMENTAL FUNDS	\$ 1,572,582
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	622,278
Postemployment benefits which do not require use of current financial resources are not reported in the funds.	(32,777)
Pension obligations which are not financial resources and are not reported in the funds.	(1,562,182)
Deffered outflows related to pensions are not financial resources and are not reported in the funds.	76,676
Unavailable revenues provide current resources but are not recorded on the full accrual basis.	24,733
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated Absences	<u>(4,958)</u>
Net Position of Governmental Activities	<u><u>\$ 696,352</u></u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF NEWBERRY--LUCE COUNTY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended December 31, 2019

EXHIBIT D

	General	Nonmajor Governmental	Total Governmental Funds
Revenues			
Taxes	\$ 259,484	\$ 114,142	\$ 373,626
Licenses and Permits	225	-	225
State Grants	195,546	394,301	589,847
Charges for Services	107,891	81,063	188,954
Interest and Rentals	19,154	340	19,494
Other Revenue	454,540	5,292	459,832
Total Revenues	<u>1,036,840</u>	<u>595,138</u>	<u>1,631,978</u>
Expenditures			
Current			
General Government	224,629	-	224,629
Public Safety	52,057	-	52,057
Public Works	376,471	433,020	809,491
Capital Outlay	1,364	109,198	110,562
Total Expenditures	<u>654,521</u>	<u>542,218</u>	<u>1,196,739</u>
Excess of Revenues Over (Under) Expenditures	382,319	52,920	435,239
Other Financing Sources (Uses)			
Transfers In	-	36,815	36,815
Transfers (Out)	(6,124)	(30,691)	(36,815)
Total Other Financing Sources (Uses)	(6,124)	6,124	-
Net Change in Fund Balances	376,195	59,044	435,239
Fund Balance--January 1, 2019	<u>664,207</u>	<u>473,136</u>	<u>1,137,343</u>
Fund Balance--December 31, 2019	<u>\$ 1,040,402</u>	<u>\$ 532,180</u>	<u>\$ 1,572,582</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF NEWBERRY--LUCE COUNTY
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGE IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Fiscal Year Ending December 31, 2019

EXHIBIT D-1

NET CHANGE IN FUND BALANCES--TOTAL GOVERNMENTAL FUNDS \$ 435,239

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add--Capital Outlay	110,562
Deduct--Depreciation Expense	(32,014)

Unavailable revenue in the governmental funds is recorded as revenue in the Statement of Activities	21,690
---	--------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds:

Decrease in Compensated Absences	(957)
Decrease in OPEB Liability	3,161
Changes in pension Liabilities	<u>(71,297)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 466,384

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF NEWBERRY--LUCE COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2019

EXHIBIT E

	BUSINESS-TYPE ACTIVITIES			Total Enterprise Funds
	ENTERPRISE FUNDS			
	Electric	Sewer	Water	
<u>ASSETS</u>				
Current Assets				
Cash and Cash Equivalents	\$ 706,365	\$ 263,729	\$ 740,267	\$ 1,710,361
Accounts Receivable	228,401	301,222	108,856	638,479
Due from State	-	109,800	-	109,800
Due from Other Funds	62,818	22,736	35,799	121,353
Total Current Assets	997,584	697,487	884,922	2,579,993
Non-Current Assets				
Restricted Cash	-	-	489,008	489,008
Capital Credits in Co-op	626,012	-	-	626,012
Capital Assets--Depreciating	2,011,420	5,254,020	9,207,035	16,472,475
Capital Assets--Non-Depreciating	3,543	11,661	-	15,204
Total Non-Current Assets	2,640,975	5,265,681	9,696,043	17,602,699
Total Assets	3,638,559	5,963,168	10,580,965	20,182,692
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Outflows--Changes in Pension Investments	2,606	-	-	2,606
Deferred Outflows--Changes in Pension Experience	16,563	-	-	16,563
Total Deferred Outflows of Resources	19,169	-	-	19,169
<u>LIABILITIES</u>				
Current Liabilities				
Accounts Payable	75,160	8,596	6,231	89,987
Accrued Interest Payable	4,482	19,645	49,668	73,795
Customer Deposit	43,626	-	-	43,626
Accrued Vacation and Sick Time	4,841	11,834	4,194	20,869
Due to Other Funds	85,166	393,507	133,991	612,664
Other Liabilities	18,301	2,179	323	20,803
Total Current Liabilities	231,576	435,761	194,407	861,744
Non-Current Liabilities				
Bond Payable--Due Within One Year	210,000	165,000	156,000	531,000
Bond Payable--Due in More Than One Year	335,000	3,035,000	7,752,000	11,122,000
Net Pension Liability	391,627	-	-	391,627
OPEB Obligation	393,326	393,327	-	786,653
Total Non-Current Liabilities	1,329,953	3,593,327	7,908,000	12,831,280
Total Liabilities	1,561,529	4,029,088	8,102,407	13,693,024
<u>NET POSITION</u>				
Net Investment in Capital Assets	1,469,963	2,065,681	1,299,035	4,834,679
Restricted for Debt Covenants	-	-	489,008	489,008
Unrestricted	626,236	(131,601)	690,515	1,185,150
Total Net Position	\$ 2,096,199	\$ 1,934,080	\$ 2,478,558	\$ 6,508,837

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF NEWBERRY--LUCE COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION--PROPRIETARY FUNDS
For the Fiscal Year Ended December 31, 2019

EXHIBIT F

	BUSINESS-TYPE ACTIVITIES			Total Enterprise Funds
	ENTERPRISE FUNDS			
	Electric	Sewer	Water	
Operating Revenues				
Charges for Services	\$ 2,211,822	\$ 1,284,203	\$ 935,845	\$ 4,431,870
Total Operating Revenues	2,211,822	1,284,203	935,845	4,431,870
Operating Expenses				
Salaries and Fringes	358,103	383,217	367,346	1,108,666
Operating Expenses	27,073	184,716	15,351	227,140
Repairs and Maintenance	8,213	12,183	2,755	23,151
Professional Fees	72,534	69,517	29,506	171,557
General Insurance	16,953	18,196	6,912	42,061
Utilities	1,117,766	56,276	-	1,174,042
Truck and Equipment Expense	2,926	2,362	12,600	17,888
Other	39,845	7,913	16,371	64,129
Depreciation	80,665	156,795	277,559	515,019
Total Operating Expenses	1,724,078	891,175	728,400	3,343,653
Operating Income (Loss)	487,744	393,028	207,445	1,088,217
Non-Operating Revenues (Expenses)				
Interest Earned on Investments	662	271	2,289	3,222
Interest Expense	(33,837)	(81,573)	(214,066)	(329,476)
Total Non-Operating Revenues (Expenses)	(33,175)	(81,302)	(211,777)	(326,254)
Change in Net Position	454,569	311,726	(4,332)	761,963
Total Net Position--January 1, 2019	1,641,630	1,622,354	2,482,890	5,746,874
Total Net Position--December 31, 2019	\$ 2,096,199	\$ 1,934,080	\$ 2,478,558	\$ 6,508,837

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF NEWBERRY--LUCE COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended December 31, 2019

EXHIBIT G

	BUSINESS-TYPE ACTIVITIES			Total Enterprise Funds
	ENTERPRISE FUNDS			
	Electric	Sewer	Water	
Cash Flows From Operating Activities				
Cash Received From Customers	\$ 2,198,140	\$ 1,128,815	\$ 930,176	\$ 4,257,131
Cash Payments to Employees for Services and Benefits	(380,835)	(419,275)	(369,600)	(1,169,710)
Cash Payments to Suppliers for Goods and Services	(1,373,519)	(386,005)	(89,002)	(1,848,526)
Net Cash Provided by Operating Activities	<u>443,786</u>	<u>323,535</u>	<u>471,574</u>	<u>1,238,895</u>
Cash Flows From Non-Capital Financing Activities				
Inventory Reductions	(626,012)	-	-	(626,012)
Due From Other Funds	60,308	(12,802)	(25,894)	21,612
Net Cash Provided by Non-Capital Financing Activities	<u>(565,704)</u>	<u>(12,802)</u>	<u>(25,894)</u>	<u>(604,400)</u>
Cash Flows From Capital and Related Financing Activities				
Proceeds from Bonds	-	56,819	-	56,819
Acquisition of Capital Assets	(1,344)	(59,355)	(1,344)	(62,043)
Capital Contributions	626,012	-	-	626,012
Reduction of Debt	(205,000)	(160,000)	(152,000)	(517,000)
Interest Paid on Bonds	(35,523)	(82,548)	(215,535)	(333,606)
Net Cash Provided by Capital and Related Financing Activities	<u>384,145</u>	<u>(245,084)</u>	<u>(368,879)</u>	<u>(229,818)</u>
Cash Flows From Investing Activities				
Interest on Cash Equivalents	662	271	2,289	3,222
Net Cash Provided by Investing Activities	<u>662</u>	<u>271</u>	<u>2,289</u>	<u>3,222</u>
Net Increase (Decrease) in Cash and Cash Equivalents	262,889	65,920	79,090	407,899
Cash and Cash Equivalents at Beginning of Year	443,476	197,809	1,150,185	1,791,470
Cash and Cash Equivalents at End of Year	<u>\$ 706,365</u>	<u>\$ 263,729</u>	<u>\$ 1,229,275</u>	<u>\$ 2,199,369</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ 487,744	\$ 393,028	\$ 207,445	\$ 1,088,217
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	80,665	156,795	277,559	515,019
(Increase) Decrease in Accounts Receivable	(13,682)	(155,388)	(5,669)	(174,739)
Increase (Decrease) in Accrued Wage Liabilities	(22,732)	(36,058)	(2,254)	(61,044)
Increase (Decrease) in Accounts Payable	(88,209)	(34,842)	(5,507)	(128,558)
Net Cash Provided by Operating Activities	<u>\$ 443,786</u>	<u>\$ 323,535</u>	<u>\$ 471,574</u>	<u>\$ 1,238,895</u>

The Notes to Financial Statements are an integral part of this statement.

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ending December 31, 2019

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Newberry (Village) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Village's accounting policies are described below.

REPORTING ENTITY

The Village of Newberry is located in Luce County which covers an area of .98 square miles and operates under a general law Village form of government. The Village provides services to its 1,519 residents in many areas including: public safety (fire), public works, and general government. The Village is governed by a seven-member council, including a president, elected by the citizens of the Village.

In accordance with generally accepted accounting principles and GASB Statement No. 61, "The Financial Reporting Entity," these financial statements present the Village. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and inter-governmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 revenue.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Village reports the following major proprietary funds:

- The Electric Fund accounts for the electrical operations of the Village.
- The Water Fund accounts for the water operations of the Village.
- The Sewer Fund is designated to separately account for the operations and maintenance according to the sewer system.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 Electric, Water, and Sewer funds are collection fees for electricity, water, and sewer consumption. The Water and Sewer Funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non-operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is the policy of the Village to use restricted resources first, then unrestricted resources as they are needed.

Bank Deposits and Investments

The bank deposits are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. The statement of cash flows include both restricted and unrestricted cash and cash equivalents.

Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes, and local ordinances.

Inter-fund Receivables and Payables

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

Deferred Inflows of Resources--Unavailable Revenue

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received but not yet earned.

Capital Assets

Capital assets include property, plant and equipment, and infrastructure assets (e.g., streets, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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.

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>
Land Improvements	15 to 30 years	
Buildings and Building Improvements	20 to 40 years	20 to 35 years
Vehicles	3 to 10 years	
Equipment	3 to 10 years	5 to 20 years
Sewer System		20 to 50 years
Water System		20 to 50 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. In this category deferred outflows of resources related to the defined benefit pension plan. The deferred outflows of resources result from three transactions: contributions to the defined pension plan subsequent to the plan's year end through the Village fiscal year end, the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings and the changes in assumptions.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that is applicable to a future reporting period. In this category deferred inflows of resources related to the difference between actual and expected experience.

Pensions

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

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Vacation and Sick Leave) --Primary Government

It is the policy of the Village to permit employees to accumulate earned but unused sick and vacation pay benefits. The liability for unpaid accumulated sick leave is time available according to the Village's union contracts and personnel policies. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental and enterprise funds as of year-end.

Long-Term Obligations

In the government-wide financial statements and proprietary fund type statements, the 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Financing Sources (Uses)

The transfers of cash between the various Village funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid; in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

Fund Balance Classifications

In the fund financial statements, governmental funds report the following components of fund balance which comprise a hierarchy based on the extent to which the Village is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

- Non-spendable fund balance includes fund balance amounts in governmental funds to designate amounts which are not available for spending or are legally or contractually required to be maintained.
- Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- Assigned--includes fund balance amounts that are intended to be used for a specific purpose.
- Committed--includes fund balance amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority.
- Unassigned--includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The Village of Newberry reports the following restricted fund balances:

- Major Street Fund - This fund is used to account for revenues from Federal and Michigan Transportation Fund (MTF) monies distributed which are earmarked by law to control expenditures for the construction and maintenance of the major street system.
- Local Street Fund - This fund is used to account for revenues primarily from MTF monies distributed which are earmarked by law to control expenditures for the construction and maintenance of the local street system.
- Fire Capital, Fire Revolving and Fire Millage Funds - These funds are used to account for the fire department equipment, operations, and millage receipts.
- TORC and Atlas Park Funds - These funds are used to account for capital projects related to the Tahquamenon Outdoor Recreation Complex and Atlas Park.

The Village of Newberry does not have a formal minimum fund balance policy.

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are adopted by the Village Council for the General Fund and Special Revenue Funds after a public hearing is held. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget is adopted at the activity level and control is exercised at the activity level. The Village Council monitors and amends the budgets, as necessary. Unexpended appropriations lapse at year end.

Excess of Expenditures over Appropriation in Budgeted Funds

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year, the Village incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

<u>Fund, Function and Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess Expenditures</u>
General Fund			
General Government			
Attorney	\$ 10,000	\$ 10,598	\$ (598)
Capital Outlay	-	1,364	(1,364)
Operating Transfers Out	-	6,124	(6,124)
Major Street Fund			
Public Works	124,319	130,975	(6,656)
Fire Revolving Fund			
Public Safety	129,584	173,814	(44,230)
TORC Fund			
Public Works	6,569	6,599	(30)

The Village will work towards not exceeding amounts budgeted and make amendments before the expenditures occur.

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Fund Deficits

As of December 31, 2019, a deficit existed in the unassigned fund balance (governmental fund) of the TORC Fund in the amount of \$11,168, in the Atlas Park Fund of \$538 and an unrestricted deficit existed at year end in the Sewer Fund in the amount of \$131,601. Public Act 140 of 1971, as amended, requires the Village to file a deficit elimination plan with the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition. The Village has not yet submitted a formal plan. The Village will file a formal plan for the Sewer Fund.

NOTE C--BANK DEPOSITS AND INVESTMENTS

Michigan Compiled Laws (MCL) 129.91 authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements, bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Deposits are carried at cost. The Village has designated four banks for the deposit of Village funds. The investment policy adopted by the Village Council in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The Village's deposit and investment policy is in accordance with statutory authority. At year end, the Village's deposits and investments 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 Cash Equivalents	\$ 812,479	\$ 1,710,361	\$ 2,522,840
Restricted Cash	-	489,008	489,008
Total	<u>\$ 812,479</u>	<u>\$ 2,199,369</u>	<u>\$ 3,011,848</u>

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE C--BANK DEPOSITS AND INVESTMENTS (Continued)

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking and Savings Accounts)	\$ 3,011,598
Petty Cash and Cash on Hand	<u>250</u>
Total	<u>\$ 3,011,848</u>

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Village's deposits may not be recovered. The Village does not have a deposit policy for custodial credit risk.

At December 31, 2019, the bank balance of the Village's deposits is \$3,191,442, of which \$559,370 is covered by Federal depository insurance. The remaining \$2,632,072 is uncollateralized.

Restricted Cash

In accordance with Village ordinances, separate bank accounts have been established to create restricted cash balances reserved for the funding of sewer and water bond payments as well as sewer and water repair, replacement, and improvement to the individual systems. As of December 31, 2019, the restricted cash balance was \$489,008 in the Water Fund.

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE D--RECEIVABLES

Accounts Receivable

At December 31, 2019, the accounts receivable for the Governmental Funds are as follows:

	Other Accounts Receivable	Due From State	Net Accounts Receivable
General Fund	\$ 7,718	\$ 46,371	\$ 54,089
Major Street Fund	-	29,104	29,104
Local Street Fund	-	10,149	10,149
Fire Revolving Fund	36,921	-	36,921
TORC	-	113,993	113,993
Atlas Park	-	15,258	15,258
	<u> </u>	<u> </u>	<u> </u>
Total Governmental Funds	<u>\$ 44,639</u>	<u>\$ 214,875</u>	<u>\$ 259,514</u>

In relation to the Electric, Sewer and Water Funds, the receivables are based on the electrical, sewer and water services provided by the Village. The Village has established an allowance for doubtful accounts in the amount of \$6,373 to aid in disposition of old receivables not collected. The allowance is recorded in the Electric Fund. The customer receivable for the Electric Fund is \$228,401 (net of the allowance for doubtful accounts), the receivable for the Sewer Fund is \$301,222, and the receivable for the Water Fund is \$108,856.

NOTE E--PROPERTY TAXES

Property Taxes

The Village's 2019 ad valorem tax is levied and collectible on July 1, 2019. It is the Village's policy to recognize revenues from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing of the Village operations. Property taxes are recognized when received. The 2019 State taxable valuation of the Village amounted to \$17,659,940, on which ad valorem taxes of 11.2262 mills were levied for Township operating purposes, 4.4903 for streets and alleys, 1.3928 for garbage collection and 2.000 for fire safety, resulting in property tax revenue of \$196,986, \$79,153, \$24,938, and \$34,989, respectively, during the fiscal year ended December 31, 2019. These amounts are recognized in the respective General and Special Revenue fund financial statements as tax revenue.

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE F--CAPITAL ASSETS

Capital asset activity of the Village's governmental activities for the current year was as follows:

Governmental Activities	Beginning Balance	Additions	Deductions	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 5,773	\$ -	\$ -	\$ 5,773
Land Improvements	178,115	42,025	-	220,140
Subtotal	<u>183,888</u>	<u>42,025</u>	<u>-</u>	<u>225,913</u>
Capital Assets Being Depreciated				
Buildings and Building Improvements	869,687	-	-	869,687
Infrastructure	173,360	-	-	173,360
Equipment	1,921,928	68,537	-	1,990,465
Vehicles	284,633	-	-	284,633
Total	<u>3,249,608</u>	<u>68,537</u>	<u>-</u>	<u>3,318,145</u>
Less Accumulated Depreciation				
Buildings and Building Improvements	743,569	8,788	-	752,357
Infrastructure	86,680	8,668	-	95,348
Equipment	1,804,249	6,168	-	1,810,417
Vehicles	255,268	8,390	-	263,658
Total	<u>2,889,766</u>	<u>32,014</u>	<u>-</u>	<u>2,921,780</u>
Net Capital Assets Being Depreciated	<u>359,842</u>	<u>36,523</u>	<u>-</u>	<u>396,365</u>
Governmental Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 543,730</u>	<u>\$ 78,548</u>	<u>\$ -</u>	<u>\$ 622,278</u>

The depreciation expense was \$32,014 during the year as follows:

Governmental Activities	
General Government	\$ 15,658
Public Safety	(17,169)
Public Works	27,294
Recreation and Culture	<u>6,231</u>
Total Governmental Activities	<u>\$ 32,014</u>

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE F--CAPITAL ASSETS (Continued)

Capital asset activity of the Village's business-type activities for the current year was as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 15,204	\$ -	\$ -	\$ 15,204
Sewer Construction in Progress	4,658,815	-	4,658,815	-
Subtotal	<u>4,674,019</u>	<u>-</u>	<u>4,658,815</u>	<u>15,204</u>
Capital Assets Being Depreciated				
Buildings and Improvements	221,320	-	-	221,320
Electric System	5,094,575	-	-	5,094,575
Sewer Distribution System	2,608,299	4,658,815	-	7,267,114
Water Distribution System	11,752,610	-	-	11,752,610
Infrastructure	85,526	-	-	85,526
Equipment and Vehicles	888,683	62,043	-	950,726
Subtotal	<u>20,651,013</u>	<u>4,720,858</u>	<u>-</u>	<u>25,371,871</u>
Less Accumulated Depreciation for				
Buildings and Improvements	202,420	1,080	-	203,500
Electric System	3,228,228	54,164	-	3,282,392
Sewer Distribution System	1,932,281	147,133	-	2,079,414
Water Distribution System	2,306,118	269,454	-	2,575,572
Infrastructure	65,542	1,999	-	67,541
Equipment and Vehicles	649,788	41,189	-	690,977
Subtotal	<u>8,384,377</u>	<u>515,019</u>	<u>-</u>	<u>8,899,396</u>
Net Capital Assets Being Depreciated	<u>12,266,636</u>	<u>4,205,839</u>	<u>-</u>	<u>16,472,475</u>
Business-Type Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$16,940,655</u>	<u>\$ 4,205,839</u>	<u>\$ 4,658,815</u>	<u>\$16,487,679</u>

The depreciation expense was \$515,019 during the year as follows:

Business-Type Activities	
Electric	\$ 80,665
Sewer	156,795
Water	<u>277,559</u>
Total Business-Type Activities	<u>\$ 515,019</u>

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE G--INTERFUND RECEIVABLES AND PAYABLES/TRANSFERS

The inter-fund receivables and payables noted on Exhibit C and Exhibit E for the Village are as follows:

	Due to Other Funds					Total
	General	Non-Major Governmental	Electric	Sewer	Water	
<u>Due from Other Funds</u>						
General Fund	\$ -	\$ 399,588	\$ 26,660	\$ 393,507	\$ 132,077	\$ 951,832
Non-Major Governmental	407,671	15,517	-	-	1,914	425,102
Electric	-	62,818	-	-	-	62,818
Sewer	-	29	22,707	-	-	22,736
Water	-	-	35,799	-	-	35,799
Total	<u>\$407,671</u>	<u>\$ 477,952</u>	<u>\$ 85,166</u>	<u>\$393,507</u>	<u>\$133,991</u>	<u>\$1,498,287</u>

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

The balance due to the General Fund from the Sewer Fund at December 31, 2019, in the amount of \$393,507 is not expected to be repaid within one year.

NOTE H--LONG-TERM DEBT

The Village issues bonds to provide for the acquisition and construction of major capital improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. Electric, Sewer and Water System Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

The individual long-term debt of the Village and the changes therein, may be summarized as follows:

<u>Governmental Activities</u>	Beginning Balance			Ending Balance	
	01/01/2019	(Reductions)	Additions	12/31/2019	Due Within One Year
Vested Employee Benefits Payable	\$ 4,001	\$ (9,768)	\$ 10,725	\$ 4,958	\$ 4,958
Total Governmental Activities	<u>\$ 4,001</u>	<u>\$ (9,768)</u>	<u>\$ 10,725</u>	<u>4,958</u>	<u>\$ 4,958</u>

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE H--LONG-TERM DEBT (Continued)

Business-Type Activities

	Beginning Balance <u>01/01/2019</u>	<u>(Reductions)</u>	<u>Additions</u>	Ending Balance <u>12/31/2019</u>	Due Within <u>One Year</u>
2002 Limited Tax General Obligation Bonds maturing serially to 2022 in annual amounts ranging from \$25,000 to \$65,000 bearing interest from 4.35% to 5.10%	\$ 250,000	\$ (60,000)		\$ 190,000	\$ 60,000
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%	325,000	(60,000)		265,000	60,000
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%	1,949,000	(37,000)		1,912,000	39,000
2005 Electric System Revenue Bonds maturing serially to 2020 in annual amounts ranging from \$50,000 to \$90,000 bearing interest ranging from 3.0% to 4.5%	175,000	(85,000)		90,000	90,000
2009 Water Supply System Revenue Bonds maturing serially to 2048 in annual amounts ranging from \$3,000 to \$16,000 bearing interest of 4.125%	264,000	(5,000)		259,000	5,000
2014 Water Supply System Revenue Bond, Series 2014	5,847,000	(110,000)		5,737,000	112,000
2014 Sanitary Sewer System Revenue Bond, Series 2014	3,303,181	(160,000)	56,819	3,200,000	165,000
Vested Employee Benefits Payable	<u>25,243</u>	<u>(132,730)</u>	<u>128,356</u>	<u>20,869</u>	<u>20,869</u>
Total Business-Type Activities	<u>\$12,138,424</u>	<u>\$(649,730)</u>	<u>\$ 185,175</u>	<u>\$11,673,869</u>	<u>\$ 551,869</u>

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE H--LONG-TERM DEBT (Continued)

Annual Principal and Interest Requirements

The annual requirements to pay the principal and interest on the Village's long-term debt obligations excluding vested employee benefits outstanding at December 31, 2019, are as follows:

Year	Business-Type Activities		
	Principal	Interest	Total
2020	\$ 531,000	\$ 318,022	\$ 849,022
2021	460,000	300,200	760,200
2022	474,000	285,065	759,065
2023	418,000	269,363	687,363
2024	360,000	256,725	616,725
2025-2029	1,925,000	1,138,442	3,063,442
2030-2034	1,973,000	870,033	2,843,033
2035-2039	1,751,000	595,766	2,346,766
2040-2044	1,490,000	393,298	1,883,298
2045-2049	1,170,000	192,081	1,362,081
2050-2054	1,101,000	71,230	1,172,230
Total	<u>\$ 11,653,000</u>	<u>\$ 4,690,225</u>	<u>\$ 16,343,225</u>

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE H--LONG-TERM DEBT (Continued)

The annual electric, sewer and water fund principal and interest required to maturity for the bonds payable outstanding is as follows:

2002 Electric System Capital Improvement Bonds

Date of Issue: August 1, 2002

Amount: \$885,000

Purpose: Electrical System

<u>Annual Interest Rate</u>	<u>Date of Maturity</u>	<u>Maturity October 1</u>	<u>Interest Payments</u>	<u>Total Annual Requirements</u>
5.10%	2020	\$ 60,000	\$ 9,690	\$ 69,690
	2021	65,000	6,630	71,630
	2022	<u>65,000</u>	<u>3,315</u>	<u>68,315</u>
		<u>\$ 190,000</u>	<u>\$ 19,635</u>	<u>\$ 209,635</u>

Interest is payable semi-annually at the rate indicated on May 1 and November 1.

2003 Electric System Revenue Bonds

Date of Issue: September 30, 2003

Amount: \$965,000

Purpose: Electrical System

<u>Annual Interest Rate</u>	<u>Date of Maturity</u>	<u>Maturity October 1</u>	<u>Interest Payments</u>	<u>Total Annual Requirements</u>
5.00%	2020	\$ 60,000	\$ 13,425	\$ 73,425
	2021	65,000	10,425	75,425
5.125%	2022	70,000	7,175	77,175
	2023	<u>70,000</u>	<u>3,588</u>	<u>73,588</u>
		<u>\$ 265,000</u>	<u>\$ 34,613</u>	<u>\$ 299,613</u>

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE H--LONG-TERM DEBT (Continued)

2005 Electric System Revenue Bonds

Date of Issue: October 1, 2005

Amount: \$985,000

Purpose: Electrical System

<u>Annual Interest Rate</u>	<u>Date of Maturity</u>	<u>Maturity October 1</u>	<u>Interest Payments</u>	<u>Total Annual Requirements</u>
4.50%	2020	\$ 90,000	\$ 4,050	\$ 94,050
		<u>\$ 90,000</u>	<u>\$ 4,050</u>	<u>\$ 94,050</u>

2005 Water Supply System Revenue Bonds

Date of Issue: September 30, 2005

Amount: \$2,300,000

Purpose: Water Supply System

<u>Annual Interest Rate</u>	<u>Date of Maturity</u>	<u>Maturity September 1</u>	<u>Interest Payments</u>	<u>Total Annual Requirements</u>
4.125%	2020	\$ 39,000	\$ 78,870	\$ 117,870
	2021	41,000	77,261	118,261
	2022	42,000	75,570	117,570
	2023	44,000	73,838	117,838
	2024	47,000	72,023	119,023
	2025-2029	269,000	329,257	598,257
	2030-2034	340,000	268,125	608,125
	2035-2039	427,000	191,235	618,235
	2040-2044	540,000	94,256	634,256
	2045-2047	<u>123,000</u>	<u>5,074</u>	<u>128,074</u>
		<u>\$ 1,912,000</u>	<u>\$ 1,265,509</u>	<u>\$3,177,509</u>

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE H--LONG-TERM DEBT (Continued)

2009 Water Supply System Revenue Bonds

Date of Issue: March 20, 2009

Amount: \$300,000

Purpose: Water Supply System

<u>Annual Interest Rate</u>	<u>Date of Maturity</u>	<u>Maturity September 1</u>	<u>Interest Payments</u>	<u>Total Annual Requirements</u>
4.125%	2020	\$ 5,000	\$ 10,684	\$ 15,684
	2021	5,000	10,477	15,477
	2022	5,000	10,271	15,271
	2023	5,000	10,065	15,065
	2024	6,000	9,859	15,859
	2025-2029	32,000	45,540	77,540
	2030-2034	38,000	38,445	76,445
	2035-2039	47,000	29,865	76,865
	2040-2044	59,000	19,264	78,264
	2045-2048	57,000	6,064	63,064
		<u>\$ 259,000</u>	<u>\$ 190,534</u>	<u>\$ 449,534</u>

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE H--LONG-TERM DEBT (Continued)

2014 Water Supply System Revenue Bonds

Date of Issue: November 21, 2014

Amount: \$6,263,000

Purpose: Water Supply System

<u>Annual Interest Rate</u>	<u>Date of Maturity</u>	<u>Maturity November 1</u>	<u>Interest Payments</u>	<u>Total Annual Requirements</u>
2.125%	2020	\$ 112,000	\$ 121,911	\$ 233,911
	2021	114,000	119,531	233,531
	2022	117,000	117,109	234,109
	2023	119,000	114,623	233,623
	2024	122,000	112,094	234,094
	2025-2029	649,000	520,519	1,169,519
	2030-2034	720,000	448,588	1,168,588
	2035-2039	802,000	368,667	1,170,667
	2040-2044	891,000	279,778	1,170,778
	2045-2049	990,000	180,944	1,170,944
	2050-2054	<u>1,101,000</u>	<u>71,229</u>	<u>1,172,229</u>
			<u>\$ 5,737,000</u>	<u>\$ 2,454,993</u>

2014 Sewer System Revenue Bonds

Date of Issue: September 17, 2014

Amount: \$4,485,000

Purpose: Sewage Disposal System

<u>Annual Interest Rate</u>	<u>Date of Maturity</u>	<u>Maturity October 1</u>	<u>Interest Payments</u>	<u>Total Annual Requirements</u>
2.5%	2020	\$ 165,000	\$ 79,392	\$ 244,392
	2021	170,000	75,875	245,875
	2022	175,000	71,625	246,625
	2023	180,000	67,250	247,250
	2024	185,000	62,750	247,750
	2025-2029	975,000	243,125	1,218,125
	2030-2034	875,000	114,875	989,875
	2035-2037	<u>475,000</u>	<u>6,000</u>	<u>481,000</u>
			<u>\$ 3,200,000</u>	<u>\$ 720,892</u>

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE I--COMPENSATED ABSENCES

Vested Employee Benefits Payable

The Village's employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's years of service. Union employees may not accumulate vacation hours in excess of 280 hours. Union employees who terminate employment for any reason shall have their unused accumulated vacation paid out up to a maximum of 160 hours. Most non-union employees are eligible for vacation pay out upon termination up to 40 hours.

The Village's employment policies provide for sick leave benefits to be earned in varying amounts depending on the employee's hours worked and union agreements. Sick leave is earned by all Village employees at the rate of 12 days annually with each day being made available as of the last day of the month. However, only the union employees hired prior to July 1, 1998 will receive any unused balances upon separation of employment from the Village.

As of December 31, 2019, the Village has an accrued vested employee benefits payable of \$4,958 recorded in the governmental activities and \$20,869 in the business-type activities.

NOTE J—DEFERRED COMPENSATION PLAN

The Village offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code (IRC), Section 457. The assets of the plan are held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian for the exclusive benefit of the participants and beneficiaries of these Section 457 plans and the assets may not be diverted to any other use. The administrator (Nationwide Retirement Solutions) is an agent of the employer. The administrator provides direction to the custodian, from time to time, regarding the investment of the funds held in the account, transfer of assets to or from the account, 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 K--EMPLOYEES' RETIREMENT SYSTEM

General Information about the Pension Plan

Plan Description: The Village's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The Village 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 by accessing the MERS website at www.mersofmich.com.

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE K--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Benefits Provided:

Table 2	2018 Valuation	2018 Valuation
	01 - General Closed to new hires, <u>Linked to Division HA</u>	02 - Police/Fire Closed to new hires, <u>Linked to Division HA</u>
Benefit Multiplier:	2.00% Multiplier (No max)	2.25% Multiplier (80% max)
Normal Retirement Age	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	55/25	55/25
Early Retirement (Reduced):	50/25 55/15	50/25 55/15
Final Average Compensation:	5 years	3 years
Employee Contributions:	0%	0%
Act 88:	Yes (Adopted 11/20/2017)	Yes (Adopted 11/20/2017)
	10 - Sprvsrs: Closed to new hires, <u>linked to Division HA</u>	11 - Spvs LT & Pwr: Closed to new hires, <u>Linked to Division HB</u>
Benefit Multiplier:	2.50% Multiplier (80% max)	2.50% Multiplier (80% max)
Normal Retirement Age	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	55/25	55/25
Early Retirement (Reduced):	50/25 55/15	50/25 55/15
Final Average Compensation:	5 years	5 years
Employee Contributions:	0%	0%
Act 88:	Yes (Adopted 11/20/2017)	Yes (Adopted 11/20/2017)
	HA - All EE's elig for pen after 1/1/15: Open Division, <u>Linked to Division 01, 02, 10</u>	HB - All eligible P&P after 1/1/15 Open Division, <u>Linked to Division 11, 12</u>
Benefit Multiplier:	1.25% Multiplier (no max)	1.25% Multiplier (no max)
Normal Retirement Age	60	60
Vesting:	6 years	6 years
Final Average Compensation:	3 years	3 years
Employee Contributions:	0%	0%
Act 88:	Yes (Adopted 11/20/2017)	Yes (Adopted 11/20/2017)

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE K--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Table 2 (Continued)	2018 Valuation
	12 - Genrl LT&PWR Closed to new hires, <u>Linked to Division HB</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)

Employees covered by benefit terms: At the December 31, 2018 valuation date, the following employees were covered by the benefit terms:

Inactive Employees Or Beneficiaries Currently Receiving Benefits	29
Inactive Employees Entitled To But Not Yet Receiving Benefits	5
Active Employees	<u>17</u>
Total Employees Covered by MERS Plan	<u><u>51</u></u>

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

For the year ended December 31, 2018, the Village's contribution rate was \$5,032 for general, \$102 for police and fire, \$6,033 for Supervisors, \$842 for Light & Power Supervisors, \$1,245 for General Light and Power employees, 7.63% for administration eligible after January 1, 2015 and 6.78% for light and power employees eligible after January 1, 2015.

Net Pension Liability

The Village's Net Pension Liability was measured as of December 31, 2018, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation performed as of that date.

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE K--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Actuarial assumptions: The total pension liability in the December 31, 2018 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	3.75% in the long-term
Investment Rate of Return	7.75%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of the most recent actuarial experience study of 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	55.5%	3.41%
Global Fixed Income	18.5%	0.23%
Real Assets	13.5%	0.97%
Diversifying Strategies	12.5%	0.63%

Discount rate: The discount rate used to measure the total pension liability is 8.00%. 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.

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE K--EMPLOYEES' RETIREMENT SYSTEM (Continued)

	Increase (Decrease)		
	Total	Plan	Net Pension
	Pension Liability (a)	Fiduciary Net Position (b)	Liability (a)-(b)
Balances as of December 31, 2018	\$ 4,653,990	\$ 2,698,544	\$ 1,955,446
Changes for the year			
Service Cost	52,290	-	52,290
Interest on total pension liability	358,630	-	358,630
Difference between expected and actual experience	124,221	-	124,221
Employer contributions	-	180,502	(180,502)
Net investment income	-	355,962	(355,962)
Benefit payments, including employee refunds	(394,512)	(394,512)	-
Administrative expense		(6,130)	6,130
Other changes	(6,444)	-	(6,444)
Net changes	134,185	135,822	(1,637)
Balances as of December 31, 2019	<u>\$ 4,788,175</u>	<u>\$ 2,834,366</u>	<u>\$ 1,953,809</u>

Sensitivity of the Net Pension Liability to changes in the discount rate: The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate.

	1% Decrease	Current Discount	1% Increase
	(7%)	Rate (8%)	(9%)
Net Pension Liability at December 31, 2019		\$ 1,953,809	
Change in Net Pension Liability (NPL)	\$ 425,561		\$ (368,075)

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE K--EMPLOYEES' RETIREMENT SYSTEM (Continued)

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

For the year ended December 31, 2019, the Village recognized pension expense of \$269,624. The Village reported deferred outflows and inflows of resources related to pensions from the following sources:

<u>Source</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments**	\$ 13,031	\$ -
Differences in Experience**	<u>82,814</u>	<u>-</u>
Total	<u>\$ 95,845</u>	<u>\$ -</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the fiscal year ending December 31, 2019.

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

<u>Year Ended December 31</u>	<u>Amount</u>
2020	\$ 35,149
2021	51,386
2022	39,086
2023	(29,776)

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE L--OTHER POSTEMPLOYMENT BENEFITS

Plan Description: In addition to the pension benefits described in Note K, the Village provides postemployment healthcare insurance benefits to specified retired employees and/or their spouse. The benefits are provided in accordance with Article 10, Section 1, of the union agreement.

Benefits Provided: Healthcare benefits are provided upon retirement as follows: For salaried employees hired after May 2, 2012 and for Union employees, premiums are paid by the Village for the participant for 8 years after retirement and pre-65 reimbursement of deductible up to \$3,750 and premiums are paid by the Village for the spouse for 3 years after retirement and pre-65 reimbursement of deductible up to \$3,750. For salaried employees hired by May 2, 2012, the premiums are paid by the Village for the participant for life and pre-65 reimbursement of deductible up to \$3,750 and premiums are paid by the Village for the spouse until age 70 and pre-65 reimbursement of deductible up to \$3,750.

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

Inactive plan members receiving benefits	14
Active plan members	<u>3</u>
Total participants	<u><u>17</u></u>

Contributions. The Village of Newberry Retiree Health Plan was established and is being funded under the authority of the Village. The plan’s funding policy has been that the employer funds the plan on a “pay-as-you-go” basis. That is, benefit payments have been made from general operating funds. Currently, benefit payments are made from general operating funds. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves. During the year, the Village contributed \$151,290 for the benefit.

Net OPEB Liability. The Village’s net OPEB liability was measured as of December 31, 2019. The December 31, 2019 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2018 and rolled forward to December 31, 2019.

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019 and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	Implicit in expected payroll increases
Salary increases	3.50% (for purpose of allocating liability)
Investment rate of return	N/A; plan is not pre-funded
20-year Aa Municipal bond rate	3.26% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	2010 Public General Employees and Health Retirees, Headcount weighted
Improvement Scale	MP-2018

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE L--OTHER POSTEMPLOYMENT BENEFITS (Continued)

As the 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 3.26%. 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 was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the “depletion date”), 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. December 31, 2019 is the first year of compliance with GASB 75, so there is no required discount rate change to disclose.

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balance as of December 31, 2018	\$ 898,439	\$ -	\$ 898,439
Changes for the year			
Service Cost	1,124	-	1,124
Interest	29,991	-	29,991
Experience (Gains)/Losses	28,416	-	28,416
Change in actuarial assumptions	12,750		12,750
Contributions/benefit paid from general operating funds	-	151,290	(151,290)
Benefit payments; including refunds of employee contributions	(151,290)	(151,290)	-
Total changes	(79,009)	-	(79,009)
Balance as of December 31, 2019	\$ 819,430	\$ -	\$ 819,430

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the Village, as well as what the Village’s net OPEB liability would be if it were calculated using trend and discount rates 1% higher and lower than base assumptions:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability at December 31, 2019		\$ 819,430	
Net OPEB Liability	\$ 855,189		\$ 786,785

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE L--OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the Village, as well as what the Village's net OPEB liability would be if it were calculated using trend and discount rates 1% higher and lower than base assumptions:

	<u>1% Decrease</u>	<u>Health Care Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability at December 31, 2019		\$ 819,430	
Net OPEB Liability	\$ 781,307		\$ 860,374

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended December 31, 2019, the Village recognized OPEB expense of \$72,281. At December 31, 2019, the Village reported no deferred outflows of resources and deferred inflows of resources related to OPEB.

NOTE M--RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, and errors and omissions and employee injuries (workers' compensation). The Village has purchased commercial insurance coverage through various policies for general liability, property, vehicle, 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 years.

NOTE N--CAPITAL CREDITS IN COOPERATIVE

In prior years, the Village of Newberry Electric Fund purchased electricity 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 did not receive any capital distributions. As of December 31, 2019, the Village has capital credits outstanding of \$626,012. 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 were 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.

VILLAGE OF NEWBERRY--LUCE COUNTY

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ending December 31, 2019

NOTE O--SUBSEQUENT EVENT

Beginning with the 2019 pension actuarial reports, the MERS Retirement Board approved adjustments to key economic assumptions. According to MERS, “these assumptions, in particular the investment return assumption, have a significant effect on a plan’s required contribution and funding level. Historically low interest rates, along with high equity market valuations, have led to reductions in projected returns for most asset classes. This has resulted in a Board adopted reduction in the investment rate of return assumption to 7.35%, effective with the December 31, 2019 valuation first impacting 2021 contributions. The Board also changed the assumed rate of wage inflation from 3.75% to 3.00%, with the same effective date.” Exact amounts and changes in the unfunded liability will not be known until the 2019 pension actuarial reports are issued.

NOTE P--UPCOMING REPORTING CHANGE

In January 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 84, Fiduciary Activities, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The village is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the village’s financial statements for the 2020 fiscal year.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, Leases, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The village is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the village’s financial statements for the 2021 fiscal year.

In April 2018, the GASB issued Statements No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government’s future resource flows. The village is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020 fiscal year.

VILLAGE OF NEWBERRY--LUCE COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND

EXHIBIT H

For the Fiscal Year Ended December 31, 2019

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 271,900	\$ 232,700	\$ 259,484	\$ 26,784
Licenses and Permits	15,600	600	225	(375)
State Grants	205,400	215,305	195,546	(19,759)
Charge for Services	83,800	93,300	107,891	14,591
Interest and Rentals	800	16,000	19,154	3,154
Other Revenue	144,500	230,070	454,540	224,470
Total Revenues	<u>722,000</u>	<u>787,975</u>	<u>1,036,840</u>	<u>248,865</u>
Expenditures				
General Government	279,643	245,362	224,629	20,733
Public Safety	48,824	53,496	52,057	1,439
Public Works	289,644	392,932	376,471	16,461
Other	5,000	-	-	-
Capital Outlay	-	-	1,364	(1,364)
Total Expenditures	<u>623,111</u>	<u>691,790</u>	<u>654,521</u>	<u>37,269</u>
Excess of Revenues Over (Under) Expenditures	<u>98,889</u>	<u>96,185</u>	<u>382,319</u>	<u>286,134</u>
Other Financing Uses				
Transfers Out	-	-	(6,124)	(6,124)
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>(6,124)</u>	<u>(6,124)</u>
Net Change in Fund Balance	98,889	96,185	376,195	280,010
Fund Balance--January 1, 2019	<u>664,207</u>	<u>664,207</u>	<u>664,207</u>	<u>-</u>
Fund Balance--December 31, 2019	<u>\$ 763,096</u>	<u>\$ 760,392</u>	<u>\$ 1,040,402</u>	<u>\$ 280,010</u>

VILLAGE OF NEWBERRY--LUCE COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE VILLAGE'S
 NET PENSION LIABILITY AND RELATION RATIOS*
 For the Fiscal Year Ending December 31, 2019

SCHEDULE 1

	2019	2018	2017	2016	2015
Total Pension Liability					
Service Cost	\$ 52,290	\$ 51,841	\$ 50,379	\$ 56,321	\$ 57,323
Difference Between Expected and Actual Experience	124,221	(43,893)	(6,626)	(55,600)	(58,770)
Changes in Assumptions	-	-	-	203,073	196,558
Interest	358,630	359,296	355,645	347,836	341,332
Benefit Payments Including Employee Refunds	(394,512)	(361,584)	(322,580)	(308,458)	(294,636)
Other Changes	(6,444)	2,260	(12,408)	(155,433)	(3,924)
Net Change in Total Pension Liability	134,185	7,920	64,410	87,739	237,883
Total Pension Liability--Beginning	4,653,990	4,646,070	4,581,660	4,493,921	4,256,038
Total Pension Liability--Ending	<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	\$ 180,502	\$ 163,110	\$ 160,210	\$ 243,380	\$ 139,838
Contributions--Employees	-	-	-	-	-
Net Investment Income	355,962	(111,357)	364,244	292,473	(40,303)
Benefit Payments Including Employee Refunds	(394,512)	(361,584)	(322,580)	(308,458)	(294,636)
Administrative Expense	(6,130)	(5,703)	(5,780)	(5,778)	(5,987)
Other Changes	-	-	-	1	(1)
Net Change in Plan Fiduciary Net Position	135,822	(315,534)	196,094	221,618	(201,089)
Plan Fiduciary Net Position--Beginning	2,698,544	3,014,078	2,817,984	2,596,366	2,797,455
Plan Fiduciary Net Position--Ending	<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>
Employer Net Pension Liability	<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	59%	58%	65%	62%	58%
Covered Employee Payroll	\$ 700,673	\$ 703,254	\$ 647,812	\$ 675,376	\$ 675,376
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	279%	278%	252%	261%	281%

Notes to Schedule:

Above dates are based on measurement date,
 which may not necessarily tie to the fiscal year.

*10-year schedule as required by GASB Statement No. 68 will be built prospectively upon implementation of the standard.

VILLAGE OF NEWBERRY--LUCE COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF VILLAGE'S CONTRIBUTIONS
 For the Fiscal Year Ending December 31, 2019

SCHEDULE 2

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarial Determined Contributions*	\$ 180,502	\$ 163,107	\$ 160,211	\$ 153,379	\$ 139,838	\$ 104,488	\$ 102,254	\$ 105,944	\$ 105,451	\$ 112,339	\$ 91,335
Contributions in Relation to the Actuarially Determined Contribution	180,502	163,107	160,211	243,379	139,838	104,488	274,254	105,944	105,451	112,339	91,335
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ (90,000)	\$ -	\$ -	\$ (172,000)	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 700,673	\$ 703,254	\$ 703,254	\$ 647,812	\$ 675,376	\$ 537,871	\$ 477,186	\$ 516,904	\$ 540,440	\$ 564,470	\$ 555,767
Contributions as a Percentage of Covered Employee Payroll	26%	23%	23%	38%	21%	19%	57%	20%	20%	20%	16%

Notes to Schedule:

Actuarial Valuation Information Relative to the Determination of Contributions:

Valuation Date Actuarially determined contribution rates are calculated as of December 31, each year which is prior to the beginning of the fiscal year in which the contributions are required

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	10 year smoothed
Inflation	3 to 4%
Salary Increases	3.75%, including inflation
Investment rate of return	7.75%
Retirement age	Experienced-based tables of rates that are specific to the type of eligibility condition
Mortality	50% Female / 50% Male RP-2014 Group Annuity Mortality Table

VILLAGE OF NEWBERRY
SCHEDULE OF CHANGES IN THE VILLAGE'S
NET OPEB LIABILITY AND RELATED RATIOS*
For the Fiscal Year Ending December 31, 2019

SCHEDULE 3

	2019	2018
Total OPEB Liability		
Service Cost	\$ 1,124	\$ 1,085
Interest	29,991	34,794
Difference Between Expected and Actual Experience	28,416	11,179
Change in Actuarial Assumptions	12,750	-
Benefit Payments Including Employee Refunds	(151,290)	(159,151)
Net Change in Total OPEB Liability	(79,009)	(112,093)
Total OPEB Liability Beginning	898,439	1,010,532
Total OPEB Liability Ending	<u>\$ 819,430</u>	<u>\$ 898,439</u>
Plan Fiduciary Net Position		
Contributions-Employer	\$ 151,290	\$ 159,151
Net Investment Income	-	-
Benefit Payments Including Employee Refunds	(151,290)	(159,151)
Administrative Expense	-	-
Net Change in Plan Fiduciary Net Position	-	-
Plan Fiduciary Net Position Beginning	-	-
Plan Fiduciary Net Position Ending	<u>\$ -</u>	<u>\$ -</u>
Employer Net OPEB Liability	<u>\$ 819,430</u>	<u>\$ 898,439</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0%	0%
Covered Employee Payroll	\$ 147,717	\$ 156,362
Employer's Net OPEB Liability as a Percentage of Covered Employee Payroll	555%	575%

Notes to Schedule:

There were no benefit changes affecting the 2019 valuation.

Above dates are based on measurement date, which may not necessarily tie to the fiscal year.

*10-year schedule as required by GASB Statement No. 75 will be built prospectively upon implementation of the standard.

VILLAGE OF NEWBERRY--LUCE COUNTY
 SCHEDULE OF BOND COVENANT CASH RESERVES
 December 31, 2019

SCHEDULE 5

	<u>Required Balance</u>	<u>Actual Balance</u>
Water Fund - Restricted Cash		
Operation and Maintenance Funds--2014	\$ 243,566	\$ -
Bond and Interest Redemption		
Series 2005 Revenue Bond	39,290	34,266
Series 2009 Revenue Bond	5,228	3,507
Series 2014 Revenue Bond	-	-
Bond Reserves		
Series 2005 Revenue Bond	130,000	144,600
Series 2009 Revenue Bond	16,000	24,800
Series 2014 Revenue Bond	117,000	61,545
Repair, Replacement and Improvement Accounts		
Series 2005 Revenue Bond	258,430	175,194
Series 2014 Revenue Bond	112,740	45,096
	<u>\$ 922,254</u>	<u>\$ 489,008</u>
Sewer Fund - Restricted Cash		
Operation and Maintenance Funds -- 2014	\$ 85,861	\$ -
Bond and Interest Redemption		
Series 2014 Revenue Bond	60,895	-
Bond Reserves		
Series 2014 Revenue Bond	80,000	-
Repair, Replacement and Improvement Accounts		
Series 2014 Revenue Bond	-	-
	<u>\$ 226,756</u>	<u>\$ -</u>

VILLAGE OF NEWBERRY--LUCE COUNTY
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 December 31, 2019

EXHIBIT I

	Special Revenue Funds					Capital Project Funds		Total
	Major Streets	Local Streets	Fire Capital	Fire Revolving	Fire Millage	TORC	Atlas Park	
<u>ASSETS</u>								
Cash and Cash Equivalents	\$ 45,026	\$ 67,072	\$ 776	\$ 148,497	\$ 52,228	\$ -	\$ 55,432	\$ 369,031
Taxes Receivable	-	10,315	-	-	4,298	-	-	14,613
Accounts Receivable--Other	-	-	-	36,921	-	-	-	36,921
Due from State	29,104	10,149	-	-	-	113,993	15,258	168,504
Due from Other Funds	239,499	76,508	28,150	34,319	46,626	-	-	425,102
Total Assets	<u>\$ 313,629</u>	<u>\$ 164,044</u>	<u>\$ 28,926</u>	<u>\$ 219,737</u>	<u>\$ 103,152</u>	<u>\$ 113,993</u>	<u>\$ 70,690</u>	<u>\$ 1,014,171</u>
<u>LIABILITIES</u>								
Accounts Payable	\$ 2,079	\$ 1,552	\$ -	\$ 355	\$ -	\$ -	\$ -	\$ 3,986
Accrued Wages	53	-	-	-	-	-	-	53
Due to Other Funds	66,485	32,917	-	169,294	12,867	125,161	71,228	477,952
Total Liabilities	<u>68,617</u>	<u>34,469</u>	<u>-</u>	<u>169,649</u>	<u>12,867</u>	<u>125,161</u>	<u>71,228</u>	<u>481,991</u>
<u>FUND BALANCES</u>								
Restricted								
Streets	245,012	129,575	-	-	-	-	-	374,587
Fire Capital Purchases	-	-	28,926	-	-	-	-	28,926
Fire Operations	-	-	-	50,088	90,285	-	-	140,373
Unassigned	-	-	-	-	-	(11,168)	(538)	(11,706)
Total Fund Balances	<u>245,012</u>	<u>129,575</u>	<u>28,926</u>	<u>50,088</u>	<u>90,285</u>	<u>(11,168)</u>	<u>(538)</u>	<u>532,180</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 313,629</u>	<u>\$ 164,044</u>	<u>\$ 28,926</u>	<u>\$ 219,737</u>	<u>\$ 103,152</u>	<u>\$ 113,993</u>	<u>\$ 70,690</u>	<u>\$ 1,014,171</u>

VILLAGE OF NEWBERRY--LUCE COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended December 31, 2019

EXHIBIT J

	Special Revenue Funds					Capital Project Funds		Total
	Major Streets	Local Streets	Fire Capital	Fire Revolving	Fire Millage	TORC	Atlas Park	
Revenues								
Taxes	\$ -	\$ 79,153	\$ -	\$ -	\$ 34,989	\$ -	\$ -	\$ 114,142
State Grants	177,075	70,916	-	17,060	-	113,992	15,258	394,301
Charges for Services	-	-	-	81,063	-	-	-	81,063
Contributions	-	-	-	5,292	-	-	-	5,292
Interest and Rentals	-	-	-	340	-	-	-	340
Total Revenues	177,075	150,069	-	103,755	34,989	113,992	15,258	595,138
Expenditures								
Public Works	130,975	114,377	-	173,814	-	6,599	7,255	433,020
Capital Outlay	-	-	-	13,845	-	92,859	2,494	109,198
Total Expenditures	130,975	114,377	-	187,659	-	99,458	9,749	542,218
Excess of Revenue Over (Under) Expenditures	46,100	35,692	-	(83,904)	34,989	14,534	5,509	52,920
Other Financing Sources (Uses)								
Transfers In	-	-	-	36,815	-	-	-	36,815
Transfers (Out)	-	-	-	-	(30,691)	-	-	(30,691)
Total Other Financing Sources (Uses)	-	-	-	36,815	(30,691)	-	-	6,124
Net Change in Fund Balances	46,100	35,692	-	(47,089)	4,298	14,534	5,509	59,044
Fund Balance--January 1, 2019	198,912	93,883	28,926	97,177	85,987	(25,702)	(6,047)	473,136
Fund Balance--December 31, 2019	\$ 245,012	\$ 129,575	\$ 28,926	\$ 50,088	\$ 90,285	\$ (11,168)	\$ (538)	\$ 532,180

VILLAGE OF NEWBERRY--LUCE COUNTY
 SCHEDULE OF REVENUES
 BUDGET AND ACTUAL--GENERAL FUND
 For the Fiscal Year Ended December 31, 2019

EXHIBIT K

<u>REVENUES</u>	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Taxes				
Current Property Taxes	\$ 170,000	\$ 170,000	\$ 196,986	\$ 26,986
Current Property Taxes--Garbage	24,600	24,600	24,938	338
Personal Property Taxes	39,200	-	-	-
Payment in Lieu of Taxes	31,500	31,500	31,500	-
Interest on Delinquent Taxes	-	-	2,578	2,578
Administrative Fees	6,600	6,600	3,482	(3,118)
Total Taxes	271,900	232,700	259,484	26,784
Licenses and Permits				
FOIA Request Revenue	300	300	-	(300)
Employee Insurance	15,000	-	-	-
Licenses and Permits	300	300	225	(75)
Total Licenses and Permits	15,600	600	225	(375)
State Grants				
State Grants	-	9,905	-	(9,905)
Local Community Stabilization	20,000	20,000	19,851	(149)
State Revenue Sharing	185,400	185,400	175,695	(9,705)
Total State Grants	205,400	215,305	195,546	(19,759)
Charges for Services				
Charges for Services--Refuse	76,500	86,000	84,667	(1,333)
Garbage--Late Fees	100	100	1,231	1,131
Franchise Agreement	7,200	7,200	21,993	14,793
Total Charges for Services	83,800	93,300	107,891	14,591
Interest and Rentals				
Interest	800	16,000	19,154	3,154
Total Interest and Rentals	800	16,000	19,154	3,154
Other Revenue				
Reimburse--Equipment Rental	142,000	190,000	199,138	9,138
Insurance Proceeds	-	40,070	254,840	214,770
Reimbursements and Refunds	2,500	-	562	562
Total Other Revenue	144,500	230,070	454,540	224,470
Total Revenues	\$ 722,000	\$ 787,975	\$ 1,036,840	\$ 248,865

VILLAGE OF NEWBERRY--LUCE COUNTY
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended December 31, 2019

EXHIBIT L

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Positive (Negative)
General Government				
Village Council	\$ 18,910	\$ 14,795	\$ 14,343	\$ 452
Village President	3,430	5,010	4,880	130
Village Manager	32,752	31,725	29,156	2,569
Village Administrative	121,074	92,679	86,785	5,894
Village Clerk	14,924	16,183	15,752	431
Audit	2,000	8,000	1,626	6,374
Ordinance Officer	18,553	15,169	13,953	1,216
Village Treasurer	18,900	14,543	14,089	454
Village Hall	36,100	37,258	33,447	3,811
Attorney	13,000	10,000	10,598	(598)
Total General Government	<u>279,643</u>	<u>245,362</u>	<u>224,629</u>	<u>20,733</u>
Public Safety				
Fire Department	48,824	53,496	52,057	1,439
Total Public Safety	<u>48,824</u>	<u>53,496</u>	<u>52,057</u>	<u>1,439</u>
Public Works				
DPW	100,169	139,924	134,199	5,725
Street Lights	19,000	19,000	18,372	628
Alley Cleanup	29,000	49,320	43,153	6,167
Sewage Disposal	100	25	8	17
Motor Pool	60,300	94,944	92,162	2,782
Storm Sewers	1,000	11,130	10,084	1,046
Rubbish	80,075	78,589	78,493	96
Total Public Works	<u>289,644</u>	<u>392,932</u>	<u>376,471</u>	<u>16,461</u>
Recreational and Cultural				
Recreation	5,000	-	-	-
Total Recreational and Cultural	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Outlay	-	-	1,364	(1,364)
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>1,364</u>	<u>(1,364)</u>
Other Financing Uses				
Transfers Out--Fire Revolving Fund	-	-	6,124	(6,124)
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>6,124</u>	<u>(6,124)</u>
Total Expenditures and Other Financing Uses	<u>\$ 623,111</u>	<u>\$ 691,790</u>	<u>\$ 660,645</u>	<u>\$ 31,145</u>



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

June 10, 2021

Village of Newberry
302 E. McMillan Ave
Newberry, Michigan 49868

RE: Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Dear Council Members:

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, Luce County, Michigan, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Village of Newberry's basic financial statements, and have issued our report thereon dated June 10, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Newberry's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Newberry's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Newberry'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 Village of Newberry's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses, listed as Findings 2019-001, 2019-002 and 2019-003.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses listed in as Finding 2019-004 to be a significant deficiency.

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. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Newberry's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the Schedule of Findings and Responses listed as Findings 2019-005, 2019-006, 2019-007, 2019-008 and 2019-009.

Village of Newberry's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village of Newberry'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 Village of Newberry's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Community Engagement and Finance Division



GRETCHEN WHITMER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RACHAEL EUBANKS
STATE TREASURER

June 10, 2021

Village of Newberry
302 E. McMillan Ave
Newberry, Michigan 49868

RE: Report to Those Charged with Governance

Dear Council Members:

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, Luce County, Michigan, for the fiscal year ended December 31, 2019, and have issued our report thereon dated June 10, 2021. Professional standards require that we provide you with information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in the engagement letter dated January 16, 2019, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Village of Newberry. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control.

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

Other information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described in professional standards, is to evaluate the presentation of 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. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the 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 the financial statements themselves.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters on July 20, 2020, with management.

Significant Results of the Audit

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village of Newberry are described in Note A to the financial statements. We noted no transactions entered into by the Village of Newberry during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

The most sensitive estimates affecting the governmental activities in the government-wide statements relate to depreciation, the allowance for doubtful accounts, the net pension liability, the liability for other postemployment benefits, and the estimate of the current portion of vested employee benefits. Management's estimate of depreciation is based on the straight-line method in accordance with Generally Accepted Accounting Principles. Management's estimate of the allowance for doubtful accounts is based on uncollectible utility receivables. For the pension, estimates and assumptions are determined by MERS and its actuary, based on the Village's negotiation with its bargaining units and resolutions of the Village Council.

For retiree health care, the estimates and assumption are based on the alternative measurement method actuarial valuation. Management's estimate of the current portion of vested employee benefits payable within the next year is based on historical trends and current policies regarding the usage of these benefits. We evaluated the key factors and assumptions used to develop the depreciation, the allowance for doubtful accounts, the net pension liability, the liability for other post-employment benefits, and the current portion of vested employee benefits payable in determining that it is reasonable in relation to the financial statements, taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no 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 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.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 27, 2020.

Management Consultations with Other Independent Accountants

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

This information is intended solely for the use of the Council and management of the Village of Newberry and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Cary Jay Vaughn, CPA, CGFM
Audit Manager

Community Engagement and Finance Division

VILLAGE OF NEWBERRY--LUCE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

Fiscal Year Ended December 31, 2019

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that could adversely affect the Village of Newberry's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Newberry's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that could result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. Listed below are material weaknesses and significant deficiencies in the internal control.

MATERIAL WEAKNESSES

Preparation of Financial Statements in Accordance with GAAP (Repeat Finding)

[Finding 2019-001]

Condition: As many small and medium-sized governmental entities do, the Village has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements, fund financial statements, and notes to financial statements as part of its external financial reporting process. Accordingly, the Village's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered to be a part of the Village's *internal* controls.

Cause: This condition was caused by the Village's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for Village personnel to prepare them internally.

Effect: The Village lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this duty.

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both: 1) recording, processing, and summarizing accounting data (maintaining internal accounting books and records); and 2) reporting government-wide and fund financial statements, including the related notes to financial statements (external financial reporting).

VILLAGE OF NEWBERRY--LUCE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

Fiscal Year Ended December 31, 2019

MATERIAL WEAKNESSES (Continued)

Recommendation: We recommend that the Village council evaluate the cost versus benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and determine if it is in the best interests of the Village to outsource this duty to its external auditors. If the Village continues to rely on its external auditors to prepare the financial statements, we recommend the council designate a responsible Village official to carefully review the draft financial statements including the notes, prior to approving them and accepting responsibility for their content and presentation.

Management's Response: Due to the small size and limited staffing, the Village of Newberry has historically hired an external independent auditor to prepare the financial statements. Management continues to review and accept responsibility for the completed financial statement. In September of 2018, the Village converted to BS&A Accounting Software and hired a qualified person who is experienced with governmental accounting to provide a better system of internal control and a greater level of quality control.

Material Audit Adjustments (Repeat Finding)

[Finding 2019-002]

Condition: During our audit, we identified and proposed numerous material adjustments, which were approved and posted by management, to adjust the Village's general ledger to the audited balances. These adjustments included recording the effect of prior year accruals for receivables and payables, recording current year accruals for receivables and payables, balancing interfund transactions and properly allocating tax revenue.

Cause: The Village had a change in accounting staff and converted to a new accounting system in November of 2018 and the staff did not completely understand the reconciling and closing processes under the new system. The 2018 audit was not completed and issued until after the close of the 2019 fiscal year, making it difficult for staff to address the issues with reconciling and closing processes. There were also some adjusting entries from the prior audit which were booked incorrectly.

Effect: The Village accounting records were initially misstated by amounts material to the financial statements.

Criteria: Management is responsible for maintaining the Village's accounting records in accordance with generally accepted accounting principles (GAAP).

Recommendation: We recommend that the Village council provide for appropriate training for its accounting personnel so they can begin to assume the responsibility for properly adjusting and reconciling all Village accounts throughout the fiscal year and at fiscal year-end to provide more accurate data to the council for decision making and to reduce the cost of the external audit.

VILLAGE OF NEWBERRY--LUCE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

Fiscal Year Ended December 31, 2019

MATERIAL WEAKNESSES (Continued)

Management Response: The Village accounting staff has the ability to perform the day-to-day accounting functions including cash receipts and disbursements, processing accounts payable, preparing bills for customers, and performing monthly bank reconciliations. In the past, the Village had not been able to hire staff with the necessary expertise to perform a full close of the accounting records at year-end and adequately prepare for the audit. Moving forward, we feel that the person we have hired has the governmental accounting expertise that we need.

Generally Accepted Accounting Principles—Finance Manager--Accruals (Repeat Finding)
[Finding 2019-003]

Condition: Accruals (accounts payable, delinquent taxes) were not recorded for the governmental funds prior to the audit adjustments and accruals from the prior year audit were not properly reversed.

Cause: The Village converted to a new software program in November 2018. This was the first full year under this software and the staff did not completely understand the closing and forwarding process to ensure items such as accounts receivable and accounts payable balanced to the trial balances.

Effect: Numerous adjusting entries had to be made to properly reflect accruals at year end.

Criteria: Generally Accepted Accounting Principles (GAAP) require governmental funds to be maintained on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Measurable refers to the ability to quantify the amount of the revenue in monetary terms. Current expenditures are generally recorded when the fund liability is incurred, if measurable. GAAP also requires that receivables expected to be received within 60 days and accounts payable be recorded at fiscal year-end to properly match the fiscal year's revenues and expenditures.

Recommendation: We recommend that the Village record accruals at the end of each fiscal year and that such accruals be properly reversed in the following fiscal year. The accruals should be reconciled to subsidiary records to support the balances in the respective accounts within the general ledger.

Management Response: See answer to Finding 2019-002. Due to staffing limitations, the Village has since at least 2009, relied on outside service providers to perform this function for the Village. In September 2018, all day-to-day accounting functions and year end closing out became the responsibility of the finance director. We anticipate that this deficiency will not be present for future audits.

VILLAGE OF NEWBERRY--LUCE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

Fiscal Year Ended December 31, 2019

SIGNIFICANT DEFICIENCIES

Reconciliation of Accounting Records (Repeat Finding)

[Finding 2019-004]

Condition: Recording errors are occurring and not being discovered because there are no reconciliations being performed between supporting documentation and the general ledger (accounts receivable, accounts payable, bank statements).

Cause: The Village converted to new software in November 2018 and staff did not fully understand how to obtain proper reports and the reconciliation process for accounts payable, accounts receivable and pooled cash under the new software.

Effect: The auditors had to reconcile accounting records to general ledger detail and propose reconciling entries for numerous accounts.

Criteria: A comparison of the amounts recorded in the accounting records of the accounting staff to the records of the treasurer is not performed by the accounting staff. Subsidiary ledgers are not being compared to general ledgers amounts.

Recommendation: We recommend that the accounting staff keep a complete set of accounting records based on source documentation utilizing the uniform chart of accounts prescribed by the State Treasurer. The records must be reconciled to the treasurer's records and to subsidiary ledgers.

Management Response: See answers to Findings 2019-002 and 2019-003. In September of 2018, the Village switched to BS&A Software and to a pooled cash system. By moving to this new system, the Village believes this is a better system of internal control and provides a greater level of quality control.

VILLAGE OF NEWBERRY--LUCE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

Fiscal Year Ended December 31, 2019

STATUTORY COMPLIANCE

Budget Violations--Expenditures in Excess of Appropriations

[Finding 2019-005]

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

The Village’s 2019 General Appropriations Act (budget) provided for expenditures of the General Fund to be controlled to the activity level by the Village. As detailed below, actual 2019 expenditures exceeded the Village’s approved budget allocations for some General Fund and Special Revenue Fund activities.

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year, the Village incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

<u>Fund, Function and Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess Expenditures</u>
General Fund			
General Government			
Attorney	\$ 10,000	\$ 10,598	\$ (598)
Capital Outlay	-	1,364	(1,364)
Operating Transfers Out	-	6,124	(6,124)
Major Street Fund			
Public Works	124,319	130,975	(6,656)
Fire Revolving Fund			
Public Safety	129,584	173,814	(44,230)
TORC Fund			
Public Works	6,569	6,599	(30)

VILLAGE OF NEWBERRY--LUCE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

Fiscal Year Ended December 31, 2019

STATUTORY COMPLIANCE (Continued)

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Section 17 of Public Act 2 of 1968, as amended.

Cause: The Village did not have accurate financial statements during the fiscal year to allow for timely decision making and budget amendments.

Effect: The Village had several instances of actual expenditures in excess of budgeted expenditures.

Directive: We direct the Village to develop budgetary control procedures which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof.

Management Response: The Village appropriately passed a comprehensive budget amendment in late December 2019. Unfortunately, due to the internal accounting limitations noted in other findings, our projections on final year end balances were understated in some cases. Management is monitoring budget to actual results on a regular basis and intends to pass a comprehensive budget amendment prior to December 31, 2020.

Fund Deficit—Noncompliance with PA 2 of 1968 (Repeat Finding)

[Finding 2019-006]

Condition: The Village has a deficit in its fund balance for the TORC Fund and the Atlas Park Fund as of December 31, 2019, in the amounts of \$11,168 and \$538, respectively, which is contrary to state statutes.

Criteria: Non-compliance with PA 2 of 1968 (MCL 141.437), as amended, Expenditures in Excess of Available Revenues:

“If, during a fiscal year, it appears to the chief administrative officer or to the legislative body that the actual and probable revenues from taxes and other sources in a fund are less than the estimated revenues, including an available surplus upon which appropriations from the fund were based and the proceeds from bonds or other obligations issued under the fiscal stabilization act, 1981 PA 80, MCL 141.1001 to 141.1011, or the balance of the principal of these bonds or other obligations, the chief administrative officer or fiscal officer shall present to the legislative body recommendations which, if adopted, would prevent expenditures from exceeding available revenues for that current fiscal year. The recommendations shall include proposals for reducing appropriations from the fund for budgetary centers in a manner that would cause the total of appropriations to not be greater than the total of revised estimated revenues of the fund, or proposals for measures necessary to provide revenues sufficient to meet expenditures of the fund, or both. The recommendations shall recognize the requirements of state law and the provisions of collective bargaining agreements.”

VILLAGE OF NEWBERRY--LUCE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

Fiscal Year Ended December 31, 2019

STATUTORY COMPLIANCE (Continued)

The Village failed to limit expenditures to available revenues for fiscal year 2019.

Cause: The Village did not have accurate financial records throughout the fiscal year.

Effect: The Village is not compliant with state statutes.

Directive: We direct the Village to review budget to actual results on a regular basis and make amendments as necessary to prevent spending in excess of available resources.

Management Response: These funds were in a deficit in 2018 and deficit elimination plans were submitted in June of 2020. These funds have begun to see financial improvement. Village management will make every effort to eliminate these deficits by December 31, 2020.

Net Position / Fund Balance Deficit – Non-compliance with PA 140 of 1971
[Finding 2019-007]

Condition: The Village has a deficit in its unrestricted net position for the Sewer Fund as of December 31, 2019, in the amount of \$131,601 which is contrary to state statutes.

Criteria: Non-compliance with PA 140 of 1971, as amended, Failure to File Reports and Deficit Elimination Plans:

“For a fiscal year of a unit of local government ending on or after October 1, 1980, or any year thereafter, if a local unit of government ends its fiscal year in a deficit condition, the local unit of government shall formulate and file a financial plan within 90 days after the beginning of the fiscal year to correct this condition. Upon request of a local unit of government the Department of Treasury may assist that local unit in the formulation of the financial plan to correct the deficit condition. The local unit of government shall file the financial plan with the Department of Treasury for evaluation and certification that the plan ensures that the deficit condition is corrected. Upon certification by the Department of Treasury, the local unit of government shall institute the plan. An amount equal to 25% of each payment to a local unit of government entitled to payments under this act may be withheld until requirements of this subsection are met.”

The Village failed to formulate and file a deficit elimination plan within 90 days after the end of the fiscal year to correct the deficit condition (MCL 141.921(2)). The deficit elimination plan is to be filed with the state treasurer.

Cause: The Village did not have accurate financial records throughout the fiscal year.

VILLAGE OF NEWBERRY--LUCE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

Fiscal Year Ended December 31, 2019

STATUTORY COMPLIANCE (Continued)

Effect: The Village is not compliant with state statutes.

Directive: We direct the Village to file a Deficit Elimination Plan as required by PA 140 of 1971, as amended.

Management Response: The Sewer Fund has been in a deficit since 2012. Twice previously, in 2012 and 2014, the Village was required by the Department of Treasury to file deficit elimination plans; however, the Village did not follow through on those plans and the deficit has not only remained but has grown over time. Exacerbating the Sewer Fund's financial troubles, the Village has not been able to collect outstanding receivables from a neighboring Township who is the Sewer Fund's second largest customer.

In an effort to help solve the Sewer Fund's financial problems, the Village did raise sewer rates in August 2017. Thanks to the rate increase and other management efforts, the Sewer Fund has begun seeing financial improvements. In order to comply with State law, Village management prepared and submitted a deficit elimination plan in May 2019 and June 2020.

Village Council--Violations of Public Act 2 of 1968—Audit
[Finding 2019-008]

Condition: The Village has not submitted an audit report for the year ended December 31, 2019 within the required timeline.

Criteria: According to Public Act 2 of 1968, as amended, local units of government are required to have an annual audit, except in the instance of units of less than 4,000 in population, which have a minimum requirement of an audit not less frequently than every two years. Audit reports are to be filed with the Michigan Department of Treasury within six months after the end of the fiscal year being audited. However, the Michigan Department of Treasury has required the Village to obtain audits annually until the reported deficiencies are rectified and timely audits are filed.

Cause: The Village did not get their fiscal year ended December 31, 2019 information finalized in a timely manner for the audit prior to the filing deadline.

Effect: The Village is in non-compliance with State statute. Whereas the Village did not submit the audit for the fiscal year ended December 31, 2019 by June 30, 2020, the audit is now considered delinquent. The Village did receive an extension from the Department of Treasury but was unable to meet that extension deadline.

Directive: We direct the Village to make every effort to comply with this requirement in the next audit cycle.

VILLAGE OF NEWBERRY--LUCE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

Fiscal Year Ended December 31, 2019

STATUTORY COMPLIANCE (Continued)

Management Response: The Village will make every effort to ensure that the accounting records are maintained on a timely basis to ensure that their next required audit is submitted within the required time limits.

OTHER MATTERS

Village Council--Violations of Bond Requirements—Annual Audit (Repeat Finding)
[Finding 2019-009]

Condition: The Village has not submitted an audit report for the year ended December 31, 2019 within the required timeline.

Criteria: According to General Covenants of the Sanitary Sewer System Revenue Bond, Series 2014, the Village is required to have an annual audit performed by an independent certified public accountant. The covenant also states that “the audit shall be completed and so made available not later than six (6) months after the close of each operating year”.

Cause: The Village did not get their fiscal year ended December 31, 2019 information finalized in a timely manner for the audit prior to the filing deadline.

Effect: The Village is in non-compliance with Bond covenants. Whereas the Village did not submit the audit for the fiscal year ended December 31, 2019 by June 30, 2020, the audit is now considered delinquent.

Directive: We direct the Village to make every effort to comply with this requirement in the next audit cycle.

Management Response: The Village will make every effort to ensure that the accounting records are maintained on a timely basis to ensure that their next required audit is submitted within the required time limits.