

City of Newaygo
**SINGLE AUDIT OF FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**
Financial Report and
Independent Auditor's Reports
June 30, 2021



C O N T E N T S

FINANCIAL REPORT AND INDEPENDENT AUDITOR’S REPORTS

INTERNAL CONTROL AND COMPLIANCE REPORTS

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

City Council
City of Newaygo
Newaygo, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newaygo as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Newaygo's basic financial statements, and have issued our report thereon dated November 10, 2021.

Internal Control Over Financial Reporting

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

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

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

City Council
City of Newaygo
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Compliance and Other Matters

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

Purpose of this Report

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



Muskegon, Michigan
November 10, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

City Council
City of Newaygo
Newaygo, Michigan

Report on Compliance for Each Major Federal Program

We have audited the City of Newaygo's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Newaygo's major federal programs for the year ended June 30, 2021. The City of Newaygo's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Newaygo's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Newaygo's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Newaygo's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Newaygo complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the City of Newaygo is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Newaygo’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Newaygo’s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newaygo as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Newaygo’s basic financial statements. We issued our report thereon dated November 10, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Muskegon, Michigan
November 10, 2021

City of Newaygo
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2021

Federal grantor/pass-through grantor/ program or cluster title/identifying number	CFDA/ Assistance Listing Number	Entitlement program or award amount	Accrued (unearned) revenue July 1, 2020	Adjustments and transfers	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)		Accrued (unearned) revenue June 30, 2021	Passed through to subrecipients
						Prior year(s)	Current year		
<i>U.S. Department of Agriculture, Rural Development</i>									
Direct program:									
Water and Waste Disposal Systems for Rural Communities Grants 00-09 & 00-11	10.760	\$ 3,559,000	\$ 589,866	\$ -	\$ 1,319,724	\$ 2,827,866	\$ 729,858	\$ -	\$ -
<i>U.S. Department of Housing and Urban Development</i>									
Passed through Michigan Economic Development Corporation:									
Community Development Block Grants MSC 217006-CDF	14.228	1,073,575	14,708	-	161,901	926,381	147,193	-	-
<i>U.S. Department of Justice</i>									
Direct program:									
Bulletproof Vest Partnership Program RZRG2-A-II	16.607	3,189	735	-	2,130	1,794	1,395	-	-
<i>U.S. Department of Treasury</i>									
Passed through Michigan Department of Treasury:									
Coronavirus Relief Fund 62-2020-CRLGG	21.019	7,326	-	-	7,326	-	7,326	-	-
TOTAL FEDERAL ASSISTANCE		\$ 4,643,090	\$ 605,309	\$ -	\$ 1,491,081	\$ 3,756,041	\$ 885,772	\$ -	\$ -

The accompanying notes are an integral part of this schedule.

City of Newaygo
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2021

1. The accompanying Schedule of Expenditures of Federal Awards (the “schedule”) includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or change in net position of the City.

2. Please see the financial statement footnotes for the significant accounting policies used in preparing this schedule. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City is not using the ten-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Reconciliation of federal intergovernmental revenues per Governmental Funds financial statements and expenditures per single audit report Schedule of Expenditures of Federal Awards.

Federal intergovernmental revenues per the City of Newaygo's June 30, 2021	
Governmental Funds financial statements	
General Fund	\$ 1,395
Facade Grant Fund	147,193
Capital contributions per the City of Newaygo's June 30, 2021	
Proprietary Funds	
Sewer Fund	729,858
Water Fund	<u>7,326</u>
Federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 885,772</u></u>

City of Newaygo
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2021

SECTION I—SUMMARY OF AUDITOR’S RESULTS

A. Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**
2. Internal control over financial reporting:
 - Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified? yes none reported
3. Noncompliance material to financial statements noted? yes no

B. Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified? yes none reported
2. Type of auditor’s report issued on compliance for major federal programs: **Unmodified**
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no
4. Identification of major programs:

<u>CFDA/Assistance Listing Number(s)</u>	<u>Name of Federal Program/Cluster</u>
10.760	U.S. Department of Agriculture
	<ul style="list-style-type: none">• Water and Waste Disposal Systems for Rural Communities
5. Dollar threshold used to distinguish between type A and type B programs: **\$750,000**
6. Auditee qualified as low-risk auditee? yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

CLIENT DOCUMENTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

November 10, 2021

U.S. Department of Housing and Urban Development, Community Development
Washington D.C.

City of Newaygo respectfully submits the following summary of the current status of prior audit findings contained in the single audit report for the year ended June 30, 2020 dated November 20, 2020.

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2020-001: Bond Activity Accounting Procedures

Condition: A bond refunding entered into by the Tax Increment Finance Authority during the year was not reflected in the City's accounting records.

Recommendation: The City should revise its procedures to ensure that all bond activity is recorded in its accounting records.

Current Status: There were no bond refundings during the year ended June 30, 2021. **No** similar finding was reported during the single audit for the year ended June 30, 2021.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were **no** findings reported in relation to major federal award programs during the single audit for the year ended June 30, 2020.

Sincerely,



Jon Schneider
City Manager

CORRECTIVE ACTION PLAN

November 10, 2021

U.S. Department of Housing and Urban Development, Community Development
Washington D.C.

City of Newaygo respectfully submits the following Corrective Action Plan for the year ended June 30, 2021.

Name and address of independent public accounting firm:

Brickley DeLong, P.C.
P.O. Box 999
Muskegon, Michigan 49443

Audit period: June 30, 2021

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2021 provided *no* findings in either Section II or Section III. Accordingly, there are *no* matters requiring corrective action as shown below.

SECTION II – FINANCIAL STATEMENT FINDINGS

There were *no* findings in relation to the financial statement audit.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were *no* findings in relation to the major federal award programs.

If the U.S. Department of Housing and Urban Development, Community Development has questions regarding this plan, please call Jon Schneider at (231) 652-1657.

Sincerely,



Jon Schneider
City Manager