

City of Newaygo
**SINGLE AUDIT OF FEDERAL
FINANCIAL ASSISTANCE PROGRAMS**
Financial Report and
Independent Auditor's Reports
June 30, 2020



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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 City of Newaygo as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Newaygo's basic financial statements, and have issued our report thereon dated November 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 City of Newaygo's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore material weaknesses and significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain a deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs as **Finding 2020-001** that we consider to be a significant deficiency.

City Council
City of Newaygo
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Newaygo’s Response to Findings

City of Newaygo’s response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. City of Newaygo’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 20, 2020

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 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 City of Newaygo's major federal programs for the year ended June 30, 2020. 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 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 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 City of Newaygo's compliance.

City Council
City of Newaygo
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Opinion on Each Major Federal Program

In our opinion, 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, 2020.

Report on Internal Control Over Compliance

Management of 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 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 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.

City Council
City of Newaygo
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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 City of Newaygo as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Newaygo's basic financial statements. We issued our report thereon dated November 20, 2020, 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 20, 2020

City of Newaygo
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2020

Federal grantor/pass-through grantor/ program or cluster title/identifying number	Federal CFDA number	Entitlement program or award amount	Accrued (unearned) revenue July 1, 2019	Adjustments and transfers	Cash or payments in kind received (cash basis)	Expenditures (accrual basis)		Accrued (unearned) revenue June 30, 2020	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	10.760								
Loan 92-08		\$ 1,491,000	\$ 871,850	\$ -	\$ 896,000	\$ 1,466,850	\$ 24,150	\$ -	\$ -
Loan 92-10		976,000	69,927	-	922,000	123,927	852,073	-	-
		2,467,000	941,777	-	1,818,000	1,590,777	876,223	-	-
Grants 00-09 & 00-11		3,559,000	-	-	2,238,000	-	2,827,866	589,866	-
		6,026,000	941,777	-	4,056,000	1,590,777	3,704,089	589,866	-
<i>U.S. Department of Housing and Urban Development</i>									
Passed through Michigan Economic Development Corporation:									
Community Development Block Grants	14.228								
MSC 217006-CDF		1,066,075	49,196	-	889,352	71,517	854,864	14,708	-
<i>U.S. Department of Justice</i>									
Direct program:									
Bulletproof Vest Partnership Program	16.607								
RZRG2-A-II		2,117	-	-	-	1,059	735	735	-
TOTAL FEDERAL ASSISTANCE		\$ 7,094,192	\$ 990,973	\$ -	\$ 4,945,352	\$ 1,663,353	\$ 4,559,688	\$ 605,309	\$ -

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, 2020

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, 2020. 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, 2020	
Governmental Funds financial statements	
General Fund	\$ 735
Facade Grant Fund	854,864
Capital contributions per the City of Newaygo's June 30, 2020	
Proprietary Funds	
Sewer Fund	2,827,866
Plus drawdowns on federal loans	876,223
Federal expenditures per the Schedule of Expenditures of Federal Awards	\$ 4,559,688

City of Newaygo
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the year ended June 30, 2020

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 X no
 - Significant deficiency(ies) identified? _____ X yes _____ none reported
3. Noncompliance material to financial statements noted? _____ yes X no

B. *Federal Awards*

1. Internal control over major federal programs:
 - Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified? _____ yes X 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 X no

4. Identification of major programs:

<u>CFDA 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
14.228	U.S. Department of Housing and Urban Development <ul style="list-style-type: none"> • Community Development Block Grant

5. Dollar threshold used to distinguish between type A and type B programs: **\$750,000**
6. Auditee qualified as low-risk auditee? _____yes X no

City of Newaygo
SCHEDULE OF FINDINGS AND QUESTIONED COSTS—Continued
For the year ended June 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2020-001: Bond Activity Accounting Procedures

Criteria: All financial transactions should be recorded in the City’s accounting records.

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

Context: We noted the unrecorded bond activity while testing and reconciling long-term debt.

Effect: The City’s account records were incomplete and inaccurate. The proper recording of the refunding resulted in a net decrease in net position of \$50,000.

Cause: The City overlooked recording the refunding as the City does not routinely engage in these types of transactions.

Repeat Finding: This is **not** a repeat finding.

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

View of Responsible Officials: The City agrees with the finding. Accounting procedures will be changed to ensure that any future bond refundings are properly accounted for in the City’s accounting records.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were **no** findings reported in relation to major federal awards during the year ended June 30, 2020.

CLIENT DOCUMENTS



**28 STATE ROAD
PO BOX 308
NEWAYGO, MICHIGAN 49337**

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FAX (231) 652-1650
www.newaygocity.org**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

November 20, 2020

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

City of Newaygo respectfully advises you that there were *no* audit findings reported in our single audit report, dated November 18, 2019, for the year ended June 30, 2019.

Sincerely,

Jon Schneider
City Manager





**28 STATE ROAD
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www.newaygocity.org**

CORRECTIVE ACTION PLAN

November 20, 2020

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, 2020.

Name and address of independent public accounting firm:

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

Audit period: June 30, 2020

The findings from the Schedule of Findings and Questioned Costs for the year ended June 30, 2020 are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2020-001: Bond Activity Accounting Procedures

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

Action Taken: The City will record all debt refinancing in the accounting records in the future.

Responsible Person and Anticipated Completion Date: City Manager, November 2020.



U.S. Department of Housing and Urban Development, Community Development
November 20, 2020
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SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were **no** findings reported in relation to 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,

A handwritten signature in black ink, appearing to read "Jon Schneider". The signature is fluid and cursive, with the first name "Jon" and last name "Schneider" clearly distinguishable.

Jon Schneider
City Manager