

Village of Newberry, Michigan

BASIC FINANCIAL STATEMENTS

December 31, 2009

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds	9
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	10
Reconciliation of Governmental Funds:	
Statement of Revenues, Expenditures, and Changes in in Fund Balances to the Statement of Activities	11
Proprietary Funds:	
Statement of Net Assets	12
Statement of Revenues, Expenses, and Changes in Net Assets	13
Statement of Cash Flows.....	14
NOTES TO FINANCIAL STATEMENTS	15
REQUIRED SUPPLEMENTARY INFORMATION:	
Employees Retirement and Benefit Systems:	
Schedule of Funding Progress.....	32
Major Funds:	
Budgetary Comparison Schedule – General Fund	33
Budgetary Comparison Schedule – Major Streets Fund	35
Budgetary Comparison Schedule – Local Streets Fund.....	36
Budgetary Comparison Schedule – Fire Operating Fund	37

TABLE OF CONTENTS

Page

OTHER SUPPLEMENTARY INFORMATION:

Combining Balance Sheet – Nonmajor Governmental Funds	38
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	39

REPORTS ON COMPLIANCE:

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	40
Schedule of Findings and Responses	42



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

ROBERT L. HASKE, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Newberry, Michigan, as of and for the year ended December 31, 2009, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Newberry's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Newberry, Michigan as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2010 on our consideration of the Village of Newberry, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, schedule of funding progress, and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Newberry, Michigan's basic financial statements. The schedules listed as supplementary are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Anderson, Tackman & Company, PLC
Certified Public Accountants

June 24, 2010

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities 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 tell how 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 financial statements.

The Village as a Whole

The Village's combined net assets increased 10.9% from a year ago increasing from \$5,188,676 to \$5,751,727. The governmental activities experienced a \$318,041 increase in net assets primarily due to reduced expenditures. The business-type activities experienced a \$245,010 increase in net assets, primarily as a result of increased efficiencies in the overall operations and a grant for water capital assets.

In a condensed format, the table below shows comparison of the net assets of the Village of Newberry.

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current Assets	\$ 315,903	\$ 115,836	\$ 2,176,997	\$ 2,367,432	\$ 2,492,900	\$ 2,483,268
Noncurrent Assets	<u>759,487</u>	<u>823,827</u>	<u>8,556,289</u>	<u>8,517,964</u>	<u>9,315,776</u>	<u>9,341,791</u>
Total Assets	<u>\$ 1,075,390</u>	<u>\$ 939,663</u>	<u>\$ 10,733,286</u>	<u>\$ 10,885,396</u>	<u>\$ 11,808,676</u>	<u>\$ 11,825,059</u>
Current Liabilities	\$ 118,857	\$ 152,602	\$ 630,583	\$ 1,155,170	\$ 749,440	\$ 1,307,772
Noncurrent Liabilities	<u>389,222</u>	<u>537,791</u>	<u>4,918,287</u>	<u>4,790,820</u>	<u>5,307,509</u>	<u>5,328,611</u>
Total Liabilities	<u>508,079</u>	<u>690,393</u>	<u>5,548,870</u>	<u>5,945,990</u>	<u>6,056,949</u>	<u>6,636,383</u>
Net Assets						
Invested in Capital Assets - Net of Related Debt	305,490	226,876	3,538,680	3,727,144	3,844,170	3,954,020
Unrestricted	<u>261,821</u>	<u>22,394</u>	<u>1,645,736</u>	<u>1,212,262</u>	<u>1,907,557</u>	<u>1,234,656</u>
Total Net Assets	<u>\$ 567,311</u>	<u>\$ 249,270</u>	<u>\$ 5,184,416</u>	<u>\$ 4,939,406</u>	<u>\$ 5,751,727</u>	<u>\$ 5,188,676</u>

The current level of unrestricted net assets for our governmental activities stands at \$261,821 or about 25% of expenditures.

The following table shows the activities of the Village.

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Program Revenues						
Charges for Services	\$ 364,849	\$ 174,612	\$ 3,748,711	\$ 3,668,047	\$ 4,113,560	\$ 3,842,659
Operating Grants and Contributions	257,138	225,761	-	-	257,138	225,761
Capital Grants and Contributions	-	-	-	700,000	-	700,000
General Revenues						
Property Taxes	374,019	368,132	-	-	374,019	368,132
P.I.L.O.T.	19,500	19,500	-	-	19,500	19,500
State-Shared Revenues	198,844	221,549	-	-	198,844	221,549
Interest	2,735	3,911	17,209	14,016	19,944	17,927
Miscellaneous	8,674	66,991	-	-	8,674	66,991
Loss on Disposal of Capital Assets	-	(23,089)	-	-	-	(23,089)
Total Revenues	1,225,759	1,057,367	3,765,920	4,382,063	4,991,679	5,439,430
Program Expenses						
Legislative	8,083	7,403	-	-	8,083	7,403
General Government	130,252	164,538	-	-	130,252	164,538
Public Safety	241,603	343,756	-	-	241,603	343,756
Public Works	529,610	386,084	-	-	529,610	386,084
Interest Expense – Unallocated	21,273	12,108	-	-	21,273	12,108
Other Expenses	117,133	-	-	-	117,133	-
Electric	-	-	2,372,673	2,149,587	2,372,673	2,149,587
Water	-	-	400,120	363,101	400,120	363,101
Sewer	-	-	704,742	845,168	704,742	845,168
Total Expenses	1,047,954	913,889	3,477,535	3,357,856	4,525,489	4,271,745
Transfers	25,000	(1,900)	(25,000)	1,900	-	-
Changes in Net Assets	202,805	141,578	263,385	1,026,107	466,190	1,167,685
Net Assets – Beginning	249,270	107,692	4,939,406	3,913,299	5,188,676	4,020,991
Prior Period Adjustment	115,236	-	(18,375)	-	96,861	-
Net Assets – Ending	\$ 567,311	\$ 249,270	\$ 5,184,416	\$ 4,939,406	\$ 5,751,727	\$ 5,188,676

Governmental Activities

Revenue from property taxes increased 1.6% from the previous year increasing from \$368,132 to \$374,019. This is due to slightly increases taxable value and a tax rate rollback.

Expenses increased by \$134,065. This increase was primarily due to depreciation expense and health insurance premiums.

Business-Type Activities

The Village's total business-type revenues decreased by \$616,143 primarily due to a decrease in capital grants received. Operating charges for services actually increased by \$80,664.

Expenses increased by \$119,679 during the year. A significant portion of the increase occurred from funding the other post employment benefits liability of \$71,428 in accordance with GASB Statement No. 45.

The Village's Funds

Our analysis of the Village's major funds begins on page 9, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Village's major funds for 2010 include the General Fund, Major Streets, Local Streets, Fire Operating, Electric, Water, Newberry Sewage, and Luce Co. Sewage.

The General Fund is used to record all activities of the Village not required to be recorded in a separate fund. This would include legislative, administrative, elections, public safety, motor pool, public works, building and grounds, refuse collection, sidewalks, and sewer maintenance. The major source of revenue for the general fund is from the Village tax base and the revenue sharing from the State of Michigan. The major expense for this fiscal year was police protection.

The Major Streets Fund is used to record revenues and expenses for major streets located within the Village. The major source of revenue comes for the State of Michigan in the form of Act 51 funding and the Village tax base. This fund also records contributions from other entities contributing to paving projects. The major expense for this fund is construction of new paving projects, maintenance and snow removal.

The Local Streets Fund is used to record revenues and expenses for local streets within the Village. Local street revenue comes from the State of Michigan in the form of Act 51 funding and the Village tax base. The major expense for this fund is construction of new paving projects, maintenance and snow removal.

The Fire Operating Fund is used to account for the fire contributions from two townships and the Village as well as expenditures to operate the fire department.

The Newberry Sewage and Luce County Sewage Funds are used to record revenues and expenses for the Village Sewer activities. The revenue comes from user charges and expenses are incurred for operation, maintenance, and improvements.

The Water, Sewer, and Electric Funds are used to record revenues and expenses for the Village water, sewer and electric systems. The revenues come from user charges and the expenses are incurred for operation and maintenance. Some major capital improvement projects have added to the reliability of the Village water system including the rehabilitation of Wells and water line replacement and other projects are still in process. Other major capital improvement projects include the conversion of the remainder of the electric system. These improvements will improve the quality and availability of service to our existing customers and provide opportunity for future economic growth.

General Fund Budgetary Highlights

The Village's actual revenues were \$31,951 above the amended budget.

Expenditures were \$122,813 below the amended budget for 2010.

Capital Asset and Debt Administration

Capital Assets – The Village's investment in capital assets as of December 31, 2009, amounted to \$8,470,295, (net of accumulated depreciation). This investment in capital assets includes land, building infrastructure (for the electric, water, and sewer systems), and equipment. The major capital additions for 2009 included improvements to the water system. Additional information on capital assets can be found in Note 4 of this report.

Long-Term Debt – Debt is classified as long-term if it matures in a period greater than one year at the end of the current fiscal year. The Village has a total of \$5,498,677 outstanding in capital leases, bond payable, and installment notes. Additional information on the Village's long-term debt can be found in Notes 5 and 6.

Economic Factors and Next Year's Budgets and Rates

The Village is in a budget battle from year to year. The cap on the growth rate under the Headlee Amendment, the voter's reluctance to adjust or augment taxes for general operation, and the corresponding double digit growth rates in health and liability insurance have put significant limitations on budget flexibility. There are looming indications from the State that further cuts will occur in State Revenue Sharing and possibly other State funded areas. This could put increased pressure on already tight budget projections. We are pleased to end the current year with healthy fund balances in most major funds, but are realistic in projecting revenue from fines and fees for current and future budgets in order that revenue expectations and corresponding expenses are not inflated.

Contacting the Village's Management

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report, please contact Beverly A. Holmes, Village Manager, or Terrence Webb, Village President, by calling 906-293-3433 ext. 1 during the hours of 8 am to 4:30 pm, Monday thru Friday.

Basic Financial Statements

Village of Newberry, Michigan

Statement of Net Assets

December 31, 2009

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
ASSETS:			
Current Assets			
Cash & Equivalents - Unrestricted	\$ 356,425	\$ 1,042,699	\$ 1,399,124
Cash & Equivalents - Restricted	-	110,170	110,170
Accounts Receivable	48,378	397,403	445,781
Due from Governmental Units	68,593	437,732	506,325
Internal Loans	(157,493)	157,493	-
Inventories	-	31,500	31,500
Total Current Assets	315,903	2,176,997	2,492,900
Noncurrent Assets			
Capital Credits in Coop	-	817,791	817,791
Post Employment Health Care (OPEB)	27,690	-	27,690
Capital Assets (Not Depreciated)	-	986,875	986,875
Capital Assets (Net of Accumulated Depreciation)	731,797	6,751,623	7,483,420
Total Noncurrent Assets	759,487	8,556,289	9,315,776
TOTAL ASSETS	\$ 1,075,390	\$ 10,733,286	\$ 11,808,676
LIABILITIES:			
Current Liabilities			
Accounts Payable	\$ 15,128	\$ 291,077	\$ 306,205
Accrued Liabilities	-	40,599	40,599
Other Liabilities	-	19,250	19,250
Accrued Interest Payable	2,163	54,146	56,309
Capital Leases	14,373	-	14,373
Notes Payable	9,807	-	9,807
Bonds Payable	29,250	225,511	254,761
Due to Governmental Units	48,136	-	48,136
Total Current Liabilities	118,857	630,583	749,440
Noncurrent Liabilities			
Compensated Absences	16,345	-	16,345
Post Employment Health Care (OPEB)	-	71,428	71,428
Capital Leases	116,377	-	116,377
Bonds Payable	256,500	4,846,859	5,103,359
Total Noncurrent Liabilities	389,222	4,918,287	5,307,509
TOTAL LIABILITIES	508,079	5,548,870	6,056,949
NET ASSETS:			
Invested in Capital Assets (net of related debt)	305,490	3,538,680	3,844,170
Unrestricted	261,821	1,645,736	1,907,557
TOTAL NET ASSETS	\$ 567,311	\$ 5,184,416	\$ 5,751,727

See accompanying notes to financial statements.

Village of Newberry, Michigan

Statement of Activities For the Year Ended December 31, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
Legislative	\$ 8,083	\$ -	\$ -	\$ -	\$ (8,083)	\$ -	\$ (8,083)
General Government	130,252	19,804	-	-	(110,448)	-	(110,448)
Public Safety	241,603	40,724	160,378	-	(40,501)	-	(40,501)
Public Works	529,610	304,321	96,760	-	(128,529)	-	(128,529)
Other Expenses	117,133	-	-	-	(117,133)	-	(117,133)
Interest expense - Unallocated	21,273	-	-	-	(21,273)	-	(21,273)
Total Governmental Activities	1,047,954	364,849	257,138	-	(425,967)	-	(425,967)
Business-type activities:							
Electric	2,372,673	2,564,377	-	-	-	191,704	191,704
Water	400,120	370,868	-	-	-	(29,252)	(29,252)
Sewer	704,742	813,466	-	-	-	108,724	108,724
Total Business-type Activities	3,477,535	3,748,711	-	-	-	271,176	271,176
Total Primary Government	\$ 4,525,489	\$ 4,113,560	\$ 257,138	\$ -	(425,967)	271,176	(154,791)
General Revenues:							
Taxes					374,019	-	374,019
P.I.L.O.T.					19,500	-	19,500
State Revenue Sharing					198,844	-	198,844
Interest on Deposits					2,735	17,209	19,944
Miscellaneous					8,674	-	8,674
Interfund Transfers (net)					25,000	(25,000)	-
Total General Revenues					628,772	(7,791)	620,981
Change in Net Assets					202,805	263,385	466,190
Net Assets - Beginning					249,270	4,939,406	5,188,676
Prior Period Adjustment					115,236	(18,375)	96,861
Net Assets - Ending					\$ 567,311	\$ 5,184,416	\$ 5,751,727

See accompanying notes to financial statements.

Village of Newberry, Michigan

Balance Sheet Governmental Funds December 31, 2009

	General	Major Streets	Local Streets	Fire Operating	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash & Equivalents - Unrestricted	\$ 229,305	\$ 725	\$ 7,050	\$ 108,241	\$ 11,104	\$ 356,425
Taxes Receivable	43,463	-	-	-	4,915	48,378
Due from Other Funds	303,504	62,607	62,364	-	9,714	438,189
Due from Governmental Units	49,338	13,765	5,490	-	-	68,593
TOTAL ASSETS	\$ 625,610	\$ 77,097	\$ 74,904	\$ 108,241	\$ 25,733	\$ 911,585
LIABILITIES:						
Due to Other Funds	\$ 431,306	\$ 62,364	\$ 74,746	\$ 26,460	\$ 806	\$ 595,682
Accounts Payable	11,154	-	-	3,974	-	15,128
Due to Governmental Units	-	-	-	48,136	-	48,136
TOTAL LIABILITIES	442,460	62,364	74,746	78,570	806	658,946
FUND BALANCES:						
Unreserved:						
Undesignated	183,150	14,733	158	29,671	24,927	252,639
TOTAL FUND BALANCES	183,150	14,733	158	29,671	24,927	252,639
TOTAL LIABILITIES AND FUND BALANCES	\$ 625,610	\$ 77,097	\$ 74,904	\$ 108,241	\$ 25,733	

Reconciliation to amounts reported for governmental activities in the statement of net assets:

Capital assets used by governmental activities	731,797
Post Employment Health Care (OPEB)	27,690
Long-term notes & leases payable for governmental activities	(426,307)
Compensated absences liability	(16,345)
Accrued interest payable	(2,163)
Net assets of governmental activities	\$ 567,311

Village of Newberry, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended December 31, 2009

	General	Major Streets	Local Streets	Fire Operating	Other Governmental Funds	Totals Governmental Funds
REVENUES:						
Taxes	\$ 355,237	\$ -	\$ -	\$ -	\$ 38,282	\$ 393,519
Licenses & Permits	173	-	-	-	-	173
State Sources	200,943	96,577	63,801	-	-	361,321
Local Sources	-	-	-	66,682	27,979	94,661
Charges for Services	105,005	-	-	11,575	-	116,580
Interest & Rentals	994	-	-	1,533	208	2,735
Refunds & Reimbursements	224,704	-	-	29,104	-	253,808
Other	-	-	-	2,962	-	2,962
TOTAL REVENUES	887,056	96,577	63,801	111,856	66,469	1,225,759
EXPENDITURES:						
Legislative	8,083	-	-	-	-	8,083
General Government	128,954	-	-	-	-	128,954
Public Safety	143,820	-	-	124,065	27,979	295,864
Public Works	125,063	81,954	167,253	-	-	374,270
Other Expenditures	144,823	-	-	-	-	144,823
Debt Service	67,479	-	-	-	20,445	87,924
TOTAL EXPENDITURES	618,222	81,954	167,253	124,065	48,424	1,039,918
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	268,834	14,623	(103,452)	(12,209)	18,045	185,841
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	25,000	-	103,442	40,541	10,223	179,206
Operating Transfers Out	(124,019)	-	-	-	(30,187)	(154,206)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	169,815	14,623	(10)	28,332	(1,919)	210,841
FUND BALANCES, JANUARY 1	13,335	110	168	1,339	26,846	41,798
FUND BALANCES, DECEMBER 31	\$ 183,150	\$ 14,733	\$ 158	\$ 29,671	\$ 24,927	\$ 252,639

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2009**

Net changes in fund balances – total governmental funds \$ 210,841

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$102,266) exceeded capital outlay (0). (102,266)

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Principal repayments:			
Bond principal	\$	29,250	
Installment principal		22,697	
Lease principal		13,697	
			65,644

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

Compensated absences	\$	(111)	
Other Post Employment Benefits (OPEB)		27,690	
Accrued interest on bonds		1,007	
			28,586

Changes in net assets of governmental activities \$ 202,805

Village of Newberry, Michigan

Statement of Net Assets Proprietary Funds December 31, 2009

	Enterprise Funds				Totals
	Electric	Water	Newberry Sewage	Luce County Sewage	
ASSETS:					
Current Assets					
Cash & Equivalents - Unrestricted	\$ 501,616	\$ 369,987	\$ 168,851	\$ 2,245	\$ 1,042,699
Cash & Equivalents - Restricted	-	110,170	-	-	110,170
Accounts Receivable	356,143	41,260	-	-	397,403
Due from Other Funds	353,570	-	55,492	51,759	460,821
Inventories	23,052	328	-	8,120	31,500
Due from Governmental Units	-	39,681	19,798	378,253	437,732
Total Current Assets	<u>1,234,381</u>	<u>561,426</u>	<u>244,141</u>	<u>440,377</u>	<u>2,480,325</u>
Noncurrent Assets					
Capital Credits in Coop	817,791	-	-	-	817,791
Property, Plant & Equipment	5,773,758	5,026,296	2,609,145	52,151	13,461,350
Accumulated Depreciation	(3,353,614)	(876,721)	(1,448,722)	(43,795)	(5,722,852)
Total Noncurrent Assets	<u>3,237,935</u>	<u>4,149,575</u>	<u>1,160,423</u>	<u>8,356</u>	<u>8,556,289</u>
TOTAL ASSETS	<u>\$ 4,472,316</u>	<u>\$ 4,711,001</u>	<u>\$ 1,404,564</u>	<u>\$ 448,733</u>	<u>\$ 11,036,614</u>
LIABILITIES:					
Current Liabilities					
Due to Other Funds	\$ 3,436	\$ 228	\$ 113,631	\$ 186,033	\$ 303,328
Accounts Payable	169,597	106,933	-	14,547	291,077
Accrued Liabilities	10,596	10,133	-	19,870	40,599
Other Liabilities	19,250	-	-	-	19,250
Accrued Interest Payable	18,425	33,020	2,701	-	54,146
Bonds Payable	170,750	27,000	27,761	-	225,511
Total Current Liabilities	<u>392,054</u>	<u>177,314</u>	<u>144,093</u>	<u>220,450</u>	<u>933,911</u>
Noncurrent Liabilities					
Post Employment Health Care (OPEB)	39,671	-	-	31,757	71,428
Bonds Payable	2,278,250	2,373,300	195,309	-	4,846,859
Total Noncurrent Liabilities	<u>2,317,921</u>	<u>2,373,300</u>	<u>195,309</u>	<u>31,757</u>	<u>4,918,287</u>
TOTAL LIABILITIES	<u>2,709,975</u>	<u>2,550,614</u>	<u>339,402</u>	<u>252,207</u>	<u>5,852,198</u>
NET ASSETS:					
Invested in Capital Assets (net of related debt)	788,935	1,776,275	965,114	8,356	3,538,680
Unrestricted	973,406	384,112	100,048	188,170	1,645,736
TOTAL NET ASSETS	<u>\$ 1,762,341</u>	<u>\$ 2,160,387</u>	<u>\$ 1,065,162</u>	<u>\$ 196,526</u>	<u>\$ 5,184,416</u>

Village of Newberry, Michigan

Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds For the Year Ended December 31, 2009

	Enterprise Funds				Totals
	Electric	Water	Newberry Sewage	Luce County Sewage	
OPERATING REVENUES:					
Charges for Services	\$ 2,084,210	\$ 335,721	\$ 418,547	\$ 390,036	\$ 3,228,514
Other Revenue	480,167	35,147	-	4,883	520,197
Total Operating Revenues	2,564,377	370,868	418,547	394,919	3,748,711
OPERATING EXPENSES:					
Employee Wages & Benefits	425,692	91,665	-	213,988	731,345
Supplies	271,707	23,666	-	47,070	342,443
Repairs & Maintenance	33,101	6,761	-	414	40,276
Contracted Services	196,824	7,554	248,943	32,163	485,484
Insurance	10,588	6,930	-	14,178	31,696
Depreciation	75,906	128,268	53,664	1,213	259,051
Utilities	1,224,386	1,849	-	81,993	1,308,228
Other Expenses	18,469	35,521	-	-	53,990
Total Operating Expenses	2,256,673	302,214	302,607	391,019	3,252,513
OPERATING INCOME (LOSS)	307,704	68,654	115,940	3,900	496,198
NON-OPERATING REVENUES (EXPENSES):					
Interest Expense	(116,000)	(97,906)	(11,116)	-	(225,022)
Interest Income	11,052	4,884	1,199	74	17,209
Total Non-operating Revenues (Expenses)	(104,948)	(93,022)	(9,917)	74	(207,813)
Income before transfers	202,756	(24,368)	106,023	3,974	288,385
Operating Transfers Out	-	-	(25,000)	-	(25,000)
CHANGE IN NET ASSETS	202,756	(24,368)	81,023	3,974	263,385
NET ASSETS, JANUARY 1	1,559,585	2,184,755	1,002,514	192,552	4,939,406
Prior Period Adjustment	-	-	(18,375)	-	(18,375)
NET ASSETS, DECEMBER 31	\$ 1,762,341	\$ 2,160,387	\$ 1,065,162	\$ 196,526	\$ 5,184,416

Village of Newberry, Michigan

Statement of Cash Flows Proprietary Funds For the Year Ended December 31, 2009

	Enterprise Funds				Totals
	Electric	Water	Newberry Sewage	Luce County Sewage	
Cash Flows From Operating Activities:					
Cash Received from Customers or Users	\$ 2,528,550	\$ 1,025,281	\$ 417,031	\$ 291,031	\$ 4,261,893
Cash Payments to Employees	(385,762)	(91,164)	-	(180,945)	(657,871)
Cash Payments to Vendors	(1,709,158)	(637,862)	(248,943)	(180,135)	(2,776,098)
Cash Received (Paid) from other Funds	(11,559)	(2,869)	(4,543)	72,050	53,079
Net Cash Provided (Used) By Operating Activities	<u>422,071</u>	<u>293,386</u>	<u>163,545</u>	<u>2,001</u>	<u>881,003</u>
Cash Flows From Capital and Related Financing Activities:					
Debt Principal Payments	(156,000)	(26,000)	(27,761)	-	(209,761)
Debt Interest Payments	(116,963)	(95,645)	(11,638)	-	(224,246)
Bond Proceeds	-	189,300	-	-	189,300
Purchase of Capital Credits	32,133	-	-	-	32,133
Purchase of Property and Equipment	(2,750)	(280,149)	-	-	(282,899)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(243,580)</u>	<u>(212,494)</u>	<u>(39,399)</u>	<u>-</u>	<u>(495,473)</u>
Cash Flows From Non-Capital and Related Financing Activities					
Transfers to Other Funds	-	-	(25,000)	-	(25,000)
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>	<u>(25,000)</u>
Cash Flows From Investing Activities:					
Interest Income	11,052	4,884	1,199	74	17,209
Net Cash Provided (Used) by Investing Activities	<u>11,052</u>	<u>4,884</u>	<u>1,199</u>	<u>74</u>	<u>17,209</u>
Net Increase (Decrease) in Cash	189,543	85,776	100,345	2,075	377,739
Cash and Cash Equivalents at Beginning of Year	312,073	394,381	68,506	170	775,130
Cash and Cash Equivalents at End of Year	<u>\$ 501,616</u>	<u>\$ 480,157</u>	<u>\$ 168,851</u>	<u>\$ 2,245</u>	<u>\$ 1,152,869</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating Income	\$ 307,704	\$ 68,654	\$ 115,940	\$ 3,900	\$ 496,198
Add Non-Cash Expenses:					
Depreciation	75,906	128,268	53,664	1,213	259,051
Loss on Asset Disposal	-	40,015	-	-	40,015
Changes in Assets and Liabilities:					
Decrease (Increase) in Assets:					
Receivables	(35,827)	(5,906)	-	-	(41,733)
Due from Other Governments	-	660,319	(1,516)	(103,888)	554,915
Inventory	2,560	-	-	(647)	1,913
Due from (to) other funds	(11,559)	(2,869)	(4,543)	72,050	53,079
Increase (Decrease) in Liabilities:					
Accounts Payable	44,232	(595,596)	-	(3,670)	(555,034)
Other Liabilities	(875)	-	-	-	(875)
Post Employment Health Care (OPEB)	39,671	-	-	31,757	71,428
Accrued Liabilities	259	501	-	1,286	2,046
Net Cash Provided (Used) By Operating Activities	<u>\$ 422,071</u>	<u>\$ 293,386</u>	<u>\$ 163,545</u>	<u>\$ 2,001</u>	<u>\$ 881,003</u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Reporting Entity

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

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

Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the Village). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Village. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Village and for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

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

The Village reports the following major governmental funds:

General Fund. This 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.

Major Streets. The Major Streets Fund is used to account for the repair, maintenance, and construction of the Village's major streets.

Local Streets. The Local Streets Fund is used to account for the repair, maintenance, and construction of the Village's local streets.

Fire Operating. The Fire Operating Fund is used to account for the fire contributions from two townships and the Village as well as expenditures to operate the fire department.

The Village reports the following major enterprise funds:

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

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

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

Luce County Sewage. This fund accounts for the operation, maintenance, and development of sewer utilities.

The Village reports the following fund types:

Governmental Funds

General Fund. Described above.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**Measurement Focus, Basis of Accounting**

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, entitlements, and donations. On an accrual basis, revenue from taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

All governmental and business-type activities and enterprise funds of the Village follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Cash and Cash Equivalents

The Village considers cash and cash equivalents to be cash on hand and demand deposits and investments with a maturity of 90 days or less. Pooled investment income from all funds is allocated to each fund based on average cash balance. Deposits are recorded at cost.

Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

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

Interfund Receivables and Payables

In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

Allowances for uncollectible accounts receivables has been determined to be \$20,000.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to January 1, 2003 consist of the road network assets, bridges, sidewalks, and storm sewers that were acquired or that received substantial improvements subsequent to July 1, 1980 and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. All assets with a cost of \$500 or more and useful life of one (1) year or more are capitalized.

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

Infrastructure	40-50 years
Buildings and Improvements	20-50 years
Vehicles and Equipment	5-15 years

Budgetary Data

The Village Clerk/Treasurer prepares and submits a proposed operating budget for the General Fund and Special Revenue Funds to the Village Council for its review and consideration. The Council conducts a public hearing and subsequently adopts the operating budget. The Council approves all budget amendments. The budget is adopted at the activity level and is prepared on the modified accrual basis of accounting which is the same basis as the financial statements of the applicable funds. The budgets lapse at year end.

Use of Estimates

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

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

Compensated Absences

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

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE 2 - CASH AND EQUIVALENTS:

	<u>Primary Government</u>
Cash and Equivalents:	
- Unrestricted	\$ 1,399,124
- Restricted	<u>110,170</u>
Total	<u>\$ 1,509,294</u>
Imprest	\$ 450
CD's savings and checking	<u>1,508,844</u>
Total	<u>\$ 1,509,294</u>

Cash and Investments – Restricted:

The following funds have restricted cash and investments for various purposes:

Primary Government:

<u>Fund Type/Fund</u>	<u>Purpose</u>	<u>Amount</u>
Water:		
	Repair, Replacement and Improvement	\$ 58,170
	Bond Reserve	<u>52,000</u>
		<u>\$ 110,170</u>

NOTE 2 - CASH AND EQUIVALENTS: (Continued)

Investment and Deposit Risk

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

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

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. As of year end, \$1,110,228 of the Village's bank balance of \$1,537,845 was exposed to credit risk because it was uninsured and uncollateralized.

Statutory Authority

Michigan law (Public Act 20 of 1943, as amended) authorizes the Village of Newberry to deposit and invest in one or more of the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- (c) Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in a.
- (e) Bankers' acceptances of United States banks.
- (f) Obligations of this State or any of its political subdivisions that at this time of purchase are rated as investment grade by not less than one standard rating service.
- (g) Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- (h) Obligations described in a. through g. if purchased through an interlocal agreement under the urban corporation act of 1967, 1967 (EX Sess) PA 7, MCL 124.501 to 124.512.
- (i) Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- (j) The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 3 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Interfund balances at December 31, 2009 consisted of the following:

		DUE FROM									
DUE TO		General	Major Streets	Local Streets	Fire Operating	Other Funds	Electric	Water	Newberry Sewage	Luce County Sewage	Total
		General	\$ -	\$ -	\$ 74,746	\$ 26,460	\$ 806	\$ 3,436	\$ 151	\$ 11,872	\$ 186,033
	Major Streets	62,607	-	-	-	-	-	-	-	-	62,607
	Local Streets	-	62,364	-	-	-	-	-	-	-	62,364
	Other Funds	9,714	-	-	-	-	-	-	-	-	9,714
	Electric	303,493	-	-	-	-	-	77	50,000	-	353,570
	Newberry Sewage	55,492	-	-	-	-	-	-	-	-	55,492
	Luce County Sewage	-	-	-	-	-	-	-	51,759	-	51,759
	Total	<u>\$ 431,306</u>	<u>\$ 62,364</u>	<u>\$ 74,746</u>	<u>\$ 26,460</u>	<u>\$ 806</u>	<u>\$ 3,436</u>	<u>\$ 228</u>	<u>\$ 113,631</u>	<u>\$ 186,033</u>	<u>\$ 899,010</u>

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

NOTE 3 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Interfund transfers for the year ended December 31, 2009 consisted of the following:

Interfund Transfers

		TRANSFERS OUT			
TRANSFERS IN		General Fund	Nonmajor Governmental Funds	Newberry Sewage	Total
		General	\$ -	\$ -	\$ 25,000
	Fire Operating	20,577	19,964	-	40,541
	Local Streets	103,442	-	-	103,442
	Nonmajor Governmental	-	10,223	-	10,223
	Total	<u>\$ 124,019</u>	<u>\$ 30,187</u>	<u>\$ 25,000</u>	<u>\$ 179,206</u>

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

NOTE 4 - CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	\$ 752,762	\$ -	\$ -	\$ 752,762
Infrastructure	173,360	-	-	173,360
Vehicles and Equipment	1,948,016	-	-	1,948,016
Total assets being depreciated	<u>2,874,138</u>	<u>-</u>	<u>-</u>	<u>2,874,138</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(686,371)	(4,273)	-	(690,644)
Infrastructure	-	(8,668)	-	(8,668)
Machinery and equipment	(1,353,704)	(89,325)	-	(1,443,029)
Total accumulated depreciation	<u>(2,040,075)</u>	<u>(102,266)</u>	<u>-</u>	<u>(2,142,341)</u>
Governmental activities capital assets, net	<u>\$ 834,063</u>	<u>\$ (102,266)</u>	<u>\$ -</u>	<u>\$ 731,797</u>

NOTE 4 - CAPITAL ASSETS: (Continued)

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

Governmental Activities:	
General Government	\$ 1,187
Public Safety	69,804
Public Works	<u>31,275</u>
 Total Governmental Activities	 <u>\$ 102,266</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments</u>	<u>Ending Balances</u>
Business-type activities:					
<i>Capital assets not depreciated:</i>					
Land	\$ 15,204	\$ -	\$ -	\$ -	\$ 15,204
Construction in progress	<u>700,000</u>	<u>271,671</u>	<u>-</u>	<u>-</u>	<u>971,671</u>
 Total capital assets not being depreciated	 <u>715,204</u>	 <u>271,671</u>	 <u>-</u>	 <u>-</u>	 <u>986,875</u>
<i>Capital assets being depreciated:</i>					
Buildings and improvements	168,654	-	-	-	168,654
Water system	4,078,840	-	(45,732)	-	4,033,108
Sewer system	2,518,149	-	-	105,000	2,623,149
Electric system	5,094,574	-	-	-	5,094,574
Vehicles and equipment	<u>543,762</u>	<u>11,228</u>	<u>-</u>	<u>-</u>	<u>554,990</u>
 Total capital assets being depreciated	 <u>12,403,979</u>	 <u>11,228</u>	 <u>(45,732)</u>	 <u>105,000</u>	 <u>12,474,475</u>
<i>Less accumulated depreciation for:</i>					
Buildings and improvements	(165,427)	(461)	-	-	(165,888)
Water system	(749,280)	(126,195)	5,717	-	(869,758)
Sewer system	(1,399,906)	(54,013)	-	(18,375)	(1,472,294)
Electric system	(2,686,592)	(54,164)	-	-	(2,740,756)
Vehicles and equipment	<u>(449,938)</u>	<u>(24,218)</u>	<u>-</u>	<u>-</u>	<u>(474,156)</u>
 Total accumulated depreciation	 <u>(5,451,143)</u>	 <u>(259,051)</u>	 <u>5,717</u>	 <u>(18,375)</u>	 <u>(5,722,852)</u>
 Total capital assets being depreciated, net	 <u>6,952,836</u>	 <u>(247,823)</u>	 <u>(40,015)</u>	 <u>86,625</u>	 <u>6,751,623</u>
 Business-type activities capital assets, net	 <u>\$ 7,668,040</u>	 <u>\$ 23,848</u>	 <u>\$ (40,015)</u>	 <u>\$ 86,625</u>	 <u>\$ 7,738,498</u>

NOTE 4 - CAPITAL ASSETS: (Continued)

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

Business-type Activities:	
Electric	\$ 75,906
Water	128,268
Newberry Sewage	53,664
Luce County Sewage	<u>1,213</u>
 Total Business-type Activities	 <u>\$ 259,051</u>

NOTE 5 - LEASES:

Capital Leases – The Village leases one vehicle and equipment under capital leases with yearly lease payments ranging from \$7,533 to \$8,608, including interest rates ranging from 4.75% to 5.0%. The leases qualify as capital leases for accounting purposes and therefore has been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present values are as follows:

2010	\$ 20,447
2011	20,445
2012	20,447
2013	20,446
2014	20,446
2015 – 2017	<u>55,222</u>
 Total minimum lease payments	 157,453
Less amount representing interest	<u>(26,703)</u>
 Present value of minimum lease payments	 <u>\$ 130,750</u>

NOTE 6 - LONG-TERM DEBT:

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

Changes in long-term debt during the twelve months ending December 31, 2009 are summarized as follows:

	<u>Balance</u> 01/01/09	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 12/31/09	<u>Due</u> Within One Year
Governmental Activities:					
2002 General Obligation Bonds, Bonds maturing Serially to 2017 in annual payments ranging from \$55,000 to \$95,000, bearing interest of 4.4% to 4.8%.	\$ 315,000	\$ -	\$ 29,250	\$ 285,750	\$ 29,250

NOTE 6 - LONG-TERM DEBT: (Continued)

	Balance 01/01/09	Additions	Deductions	Balance 12/31/09	Due Within One Year
2006 Installment Notes payable with monthly payments of \$1,987 including interest of 5.15%, secured by plow truck.	32,504	-	22,697	9,807	9,807
Total Governmental Activities	347,504	-	51,947	295,557	39,057
Business-type Activities:					
2002 General Obligation Bonds, Bonds maturing serially to 2017 in annual payments ranging from \$55,000 to \$95,000, bearing interest of 4.4% to 4.8%.	280,000	-	26,000	254,000	35,750
2002 General Obligation Bonds, Bonds maturing serially to 2017 in annual payments ranging from \$55,000 to \$95,000, bearing interest of 4.4% to 4.8%.	105,000	-	9,750	95,250	9,750
2002 Limited Tax General Obligation Bonds, maturing serially to 2022 in annual amounts ranging from \$25,000 to \$65,000, bearing interest at 4.35% to 5.10%.	700,000	-	35,000	665,000	40,000
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%.	790,000	-	40,000	750,000	40,000
2005 Water Supply System Revenue Bonds, maturing serially to 2005 in annual amounts ranging from \$20,000 to \$123,000, bearing interest of 4.125%.	2,237,000	-	23,000	2,214,000	24,000
1976 Sanitary Sewage Improvement Bonds, maturing serially to 2016 in annual amounts ranging from \$7,000 to \$32,000, bearing interest of 5.0%.	145,831	-	18,011	127,820	18,011
2005 Electric System Revenue Bonds, maturing serially to 2023 in annual amounts ranging from \$50,000 to \$90,000, bearing interest ranging from 3.0% to 4.5%.	835,000	-	55,000	780,000	55,000

NOTE 6 - LONG-TERM DEBT: (Continued)

	Balance 01/01/09	Additions	Deductions	Balance 12/31/09	Due Within One Year
Business-type Activities: (Continued)					
2009 Water Supply System Revenue Bonds, maturing serially to 2040 in annual amounts ranging from \$3,000 to \$16,000, bearing interest of 4.125%.	-	189,300	3,000	186,300	3,000
Total Business-type Activities	<u>5,092,831</u>	<u>189,300</u>	<u>209,761</u>	<u>5,072,370</u>	<u>225,511</u>
Accrued sick leave and vacation	16,234	111	-	16,345	-
TOTAL LONG-TERM OBLIGATIONS	<u>\$ 5,456,569</u>	<u>\$ 189,411</u>	<u>\$ 261,708</u>	<u>\$ 5,384,272</u>	<u>\$ 264,568</u>

The annual principal and interest requirements for the years ending December 31, 2009 and after, excluding accrued compensated absences are as follows:

Year End June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 39,057	\$ 13,104	\$ 215,761	\$ 219,877
2011	31,500	11,691	224,511	211,216
2012	33,750	10,305	234,261	202,021
2013	33,750	8,820	246,261	192,263
2014	36,000	7,335	250,592	181,850
2015-2019	121,500	11,723	1,295,684	736,582
2020-2024	-	-	784,000	468,266
2025-2029	-	-	301,000	357,994
2030-2034	-	-	378,000	292,385
2035-2039	-	-	474,000	208,189
2040-2044	-	-	545,300	97,277
2045	-	-	123,000	5,074
Total	<u>\$ 295,557</u>	<u>\$ 62,978</u>	<u>\$ 5,072,370</u>	<u>\$ 3,172,994</u>

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

NOTE 7 - COMPENSATED ABSENCES:

Accumulated unpaid vacation, sick leave and longevity for police and other Village employees are recorded in the basic financial statements. Based upon union contracts and personnel policies, as of December 31, 2009, the liability totaled \$16,345.

Vacation is earned in varying amounts based on an employee's years of service. Accrued vacation for salaried and nonunion employees' leave is limited to the amount earned in the prior year, except by mutual agreement between the Village and the employees. Employees of the Village Police Department are allowed to carry over a maximum of 40 hours of vacation from one year to the next.

Sick leave is earned at a rate of 1 day per month of service and is limited to 120 days accumulation per employee.

NOTE 8 - PROPERTY TAXES:

Village property taxes are attached as an enforceable lien on property as of December 31 of the prior year. Real property taxes not collected as of March 1 are transferred to Luce County for collection, which advances the Village 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Village Treasurer.

Property taxes levied in July of each year are recognized as revenue in that year.

The taxable value of real and personal property located in the Village at December 31, 2009 totaled \$19,398,760. The tax levy for that year was based on the following rates:

	<u>Millage Rate Used</u>
General Operating	11.3371
Streets and Alleys	4.5347
Garbage	1.4067
Fire Service	1.9532

NOTE 9 - DEFERRED COMPENSATION PLAN:

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

NOTE 10 - DEFINED BENEFIT PENSION PLAN:

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

Plan Description

The Village contributes to the Michigan Municipal Employees Retirement System, an agent multiple employer public employee retirement system that acts as a common investment and administrative agent for units of local government in Michigan. The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. All full-time employees become a member of the System on the first day of employment, and are completely vested after 10 years of service. Service retirement allowances are based upon percentages ranging from 1 to 2.5 percent of 3 to 5-year final average compensation depending on benefit program selected social security coverage, etc. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2008.

NOTE 10 - DEFINED BENEFIT PENSION PLAN: (Continued)

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

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

General – Other	14.6%
Supervisors	29.23%
General Light and Power	8.28%

Annual Pension Cost

During the fiscal year ended December 31, 2009, the Village's contributions totaling \$97,064 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2008. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level of percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the members retirement to pay for this projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2007	\$ 92,683	100%	0
2008	115,692	100%	0
2009	97,064	100%	0

NOTE 11 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):

Effective for the 2009 calendar year, the Village is required to implement Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions, for certain health care reimbursements provided by the Village to retired employees. The requirements of this statement are implemented prospectively, using the alternative calculation provision of the statement for employers with less than 100 employees, with the accrued liability for benefits amortized over future years. No liability is reported at the transition date. The Village currently is not advance fund the liability. It is funding only the required current amount based on a pay-as-you go policy.

The following table shows the Village's annual OPEB cost and calculation of the Annual Required Contribution.

	Governmental Activities	Business-type Activities	Total
Normal Cost Component			
Normal Cost	\$ 28,164	\$ 60,711	\$ 88,875
Interest	1,548	3,339	4,887
Total Normal Cost	<u>29,712</u>	<u>64,050</u>	<u>93,762</u>
Amortization Component			
Actuarial Accrued Liability	731,563	946,341	1,677,904
Less: Assets	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded Actuarial Accrued Liability	731,563	946,341	1,677,904
Divided by PV Factor	<u>21,1223</u>	<u>21,1223</u>	<u>21,1223</u>
Amortization Payment	34,635	44,803	79,438
Interest	<u>1,905</u>	<u>2,464</u>	<u>4,369</u>
Total Amortization Payment	<u>36,540</u>	<u>47,267</u>	<u>83,807</u>
Annual Required Contribution	<u>\$ 66,252</u>	<u>\$ 111,317</u>	<u>\$ 177,569</u>
Annual Cost for OPEB			
Annual Required Contribution	\$ 66,252	\$ 111,317	\$ 177,569
Interest on Net OPEB Obligation	-	-	-
Adjustments to ARC	<u>-</u>	<u>-</u>	<u>-</u>
Annual OPEB Cost	66,252	111,317	177,569
Contributions Made – Current Year	<u>(93,942)</u>	<u>(39,889)</u>	<u>(133,831)</u>
Increase in Net OPEB Obligation	(27,690)	71,428	43,738
Net OPEB Obligation Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB Obligation End of Year	<u>\$ (27,690)</u>	<u>\$ 71,428</u>	<u>\$ 43,738</u>

The Village provides post retirement health care benefits to all employees who retire from the Village. There were 12 retirees receiving benefits with an approximate annual cost of \$133,831. Three were 11 active employees at December 31, 2009.

NOTE 11 - COMMITMENTS AND CONTINGENCIES:

Grant Assistance - The Village received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Village. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Village at December 31, 2009.

NOTE 12 - RISK MANAGEMENT:

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

NOTE 13 - CAPITAL CREDITS IN COOPERATIVE:

The Village of Newberry Electric Fund purchases electricity for resale from Cloverland Electric Co-op. Due to operating surpluses by the cooperative, the Village of Newberry Electric Fund receives patronage capital credits. During the current year the Village received \$32,133 in capital credit distributions. As of December 31, 2009, the Village has capital credits outstanding of \$817,791. This amount is credited to the capital account of the Cooperative for the Village of Newberry Electric fund and has the same status as if it was paid in cash to the village and then the Village furnished the Cooperative with a corresponding amount of capital. Distribution of these credits to the Village of Newberry Electric Fund is made at the complete discretion of the Cooperative.

NOTE 14 - PRIOR PERIOD ADJUSTMENT:

Net assets of governmental activities and business-type activities will be increased as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Beginning Net Assets January 1, 2009	\$ 249,270	\$ 4,939,406
Governmental Activities:		
Adjust for infrastructure not capitalized	10,236	-
Reclassification of debt from governmental activities to business.	105,000	-
Adjustment to correct errors in prior accumulated depreciation.	<u>-</u>	<u>(18,375)</u>
Restated Net Assets December 31, 2009	<u>\$ 364,506</u>	<u>\$ 4,921,031</u>

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS:

Segment information for the year ended December 31, 2009, is as follows:

	<u>Electric</u>	<u>Water</u>	<u>Newberry Sewage</u>
Nonoperating revenue (expense)	\$ (104,948)	\$ (93,022)	\$ (9,917)
Operating income (loss)	307,704	68,654	115,940
Changes in net assets	202,756	(24,368)	81,023
Operating revenues	2,564,377	370,868	418,547
Operating expenses	2,256,673	302,214	302,607
Depreciation	75,906	128,268	53,664
Total assets	4,472,316	4,711,001	1,404,564
Current liabilities	392,054	177,314	144,093
Long-term debt payable	2,317,921	2,373,000	195,309
Beginning net assets	1,559,585	2,184,755	1,002,514
Ending net assets	1,762,341	2,160,387	1,065,162
Cash provided (used) by:			
Operating activities	422,071	293,386	163,545
Capital Financing	(243,580)	(212,494)	(39,399)
Non Capital Financing	-	-	(25,000)
Investing	11,052	4,884	1,199
Beginning cash	312,073	394,381	68,506
Ending cash	501,616	480,157	168,851

Required Supplementary Information

Village of Newberry, Michigan

**Employee Retirement and Benefit Systems
December 31, 2009**

Pension:

Three year trend information as of December 31 follows:

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Actuarial Value of Assets	\$ 2,672,693	\$ 2,777,710	\$ 2,761,714
Actuarial Accrued Liability	3,633,342	3,683,526	3,743,331
Unfunded AAL	960,649	905,816	981,617
Funded Ratio	74%	75%	74%
Covered Payroll	691,707	547,771	490,762
UAAL as a Percentage of Covered Payroll	139%	165%	200%

Health Plan:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percent of Covered Payroll ((b - a) / c)</u>
---	--	--	--	-------------------------------------	------------------------------------	---

Primary Government

2009	\$	-	\$1,677,903	\$1,677,903	0.0%	Not Available	-
------	----	---	-------------	-------------	------	---------------	---

Village of Newberry, Michigan

Required Supplementary Information Budgetary Comparison Schedule General Fund Year Ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES:				
Taxes	\$ 226,276	\$ 339,976	\$ 355,237	\$ 15,261
Licenses & Permits	125	125	173	48
State Sources	219,900	200,200	200,943	743
Charges for Services	140,303	96,550	105,005	8,455
Interest & Rentals	-	450	994	544
Refunds & Reimbursements	176,401	217,804	224,704	6,900
TOTAL REVENUES	763,005	855,105	887,056	31,951
EXPENDITURES:				
Legislative:				
Village Council	7,600	8,600	8,083	517
General Government:				
Village President	7,800	5,300	4,546	754
Administration	13,600	20,600	20,371	229
Elections	2,250	2,250	1,220	1,030
Accounting	24,200	24,200	21,499	2,701
Attorney	8,000	7,500	3,999	3,501
Village Clerk	12,000	12,000	11,111	889
Audit	7,700	9,450	8,975	475
Treasurer	10,850	9,850	8,247	1,603
Building & Grounds	1,007	15,875	15,177	698
Motor Pool	67,550	34,550	33,809	741
Total General Government	154,957	141,575	128,954	12,621
Public Safety:				
Police Department	142,800	144,100	143,820	280
Total Public Safety	142,800	144,100	143,820	280
Public Works:				
Department of Public Works	3,150	3,150	2,750	400
Sidewalks	1,400	1,400	1,400	-
Street Lighting	21,500	20,100	20,054	46
Sewers	14,400	30,600	29,357	1,243
Storm Sewer Construction	600	600	-	600
Rubbish & Garbage	105,950	72,230	71,502	728
Total Public Works	147,000	128,080	125,063	3,017
Other Expenditures:				
Fringe Benefits	183,615	132,415	116,481	15,934
Insurance & Bonds	31,850	30,850	28,342	2,508
Budget Stabilization	-	73,700	-	73,700
Total Other Expenditures	215,465	236,965	144,823	92,142
Capital Outlay	38,000	-	-	-
Debt Service	43,515	81,715	67,479	14,236
TOTAL EXPENDITURES	749,337	741,035	618,222	122,813

Village of Newberry, Michigan

Required Supplementary Information Budgetary Comparison Schedule General Fund Year Ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
EXCESS OF REVENUES OVER EXPENDITURES	13,668	114,070	268,834	154,764
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	20,000	25,000	25,000	-
Operating Transfers Out	(15,000)	(139,070)	(124,019)	15,051
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 18,668</u>	<u>\$ -</u>	169,815	<u>\$ 169,815</u>
FUND BALANCE, JANUARY 1			<u>13,335</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 183,150</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Major Streets Fund
Year Ended December 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ 110,800	\$ 92,940	\$ 96,577	\$ 3,637
TOTAL REVENUES	110,800	92,940	96,577	3,637
EXPENDITURES:				
Public Works	110,800	92,940	81,954	10,986
TOTAL EXPENDITURES	110,800	92,940	81,954	10,986
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	14,623	\$ 14,623
FUND BALANCE, JANUARY 1			110	
FUND BALANCE, DECEMBER 31			\$ 14,733	

**Required Supplementary Information
Budgetary Comparison Schedule
Local Streets Fund
Year Ended December 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ 70,900	\$ 63,800	\$ 63,801	\$ 1
TOTAL REVENUES	<u>70,900</u>	<u>63,800</u>	<u>63,801</u>	<u>1</u>
EXPENDITURES:				
Public Works	185,830	167,290	167,253	37
TOTAL EXPENDITURES	<u>185,830</u>	<u>167,290</u>	<u>167,253</u>	<u>37</u>
EXCESS OF REVENUES OVER EXPENDITURES	(114,930)	(103,490)	(103,452)	38
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	114,930	103,490	103,442	(48)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ -</u>	(10)	<u>\$ (10)</u>
FUND BALANCE, JANUARY 1			168	
FUND BALANCE, DECEMBER 31			<u>\$ 158</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Fire Operating Fund
Year Ended December 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Local Sources	\$ 78,932	\$ 66,672	\$ 66,682	\$ 10
Charges for Services	17,700	18,775	11,575	(7,200)
Interst and Rentals	1,802	1,502	1,533	31
Refunds, Reimbursements	-	29,100	29,104	4
Other	-	2,900	2,962	62
TOTAL REVENUES	98,434	118,949	111,856	(7,093)
EXPENDITURES:				
Public Safety	137,900	152,285	124,065	28,220
TOTAL EXPENDITURES	137,900	152,285	124,065	28,220
 EXCESS OF REVENUES OVER EXPENDITURES	 (39,466)	 (33,336)	 (12,209)	 21,127
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	39,466	33,336	40,541	7,205
 EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	 <u>\$ -</u>	 <u>\$ -</u>	 28,332	 <u>\$ 28,332</u>
 FUND BALANCE, JANUARY 1			 <u>1,339</u>	
 FUND BALANCE, DECEMBER 31			 <u>\$ 29,671</u>	

Other Supplementary Information

Village of Newberry, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2009

	Speical Revenue Funds		Capital Project Funds		Total
	Fire Capital	Fire Millage	Downtown Development	Historical Society Renovation	
ASSETS:					
Cash & Equivalents - Unrestricted	\$ 7,565	\$ 3,233	\$ 6	\$ 300	\$ 11,104
Taxes Receivable	-	4,915	-	-	4,915
Due From Other Funds	8,379	-	1,335	-	9,714
TOTAL ASSETS	\$ 15,944	\$ 8,148	\$ 1,341	\$ 300	\$ 25,733
LIABILITIES:					
Due to Other Funds	\$ 806	-	-	-	\$ 806
TOTAL LIABILITIES	806	-	-	-	806
FUND BALANCES:					
Unreserved					
Undesignated	15,138	8,148	1,341	300	24,927
TOTAL FUND BALANCES	15,138	8,148	1,341	300	24,927
TOTAL LIABILITIES AND FUND BALANCES	\$ 15,944	\$ 8,148	\$ 1,341	\$ 300	\$ 25,733

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance - Nonmajor Governmental Funds
Year Ended December 31, 2009**

	Special Revenue Funds		Capital Project Funds		Total
	Fire Capital	Fire Millage	Downtown Development	Historical Society Renovation	
REVENUES:					
Taxes	\$ -	\$ 38,282	\$ -	\$ -	\$ 38,282
Local Sources	27,979	-	-	-	27,979
Interest & Rentals	154	53	1	-	208
TOTAL REVENUES	<u>28,133</u>	<u>38,335</u>	<u>1</u>	<u>-</u>	<u>66,469</u>
EXPENDITURES:					
Public Safety	27,979	-	-	-	27,979
Debt Service	20,445	-	-	-	20,445
TOTAL EXPENDITURES	<u>48,424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,424</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(20,291)	38,335	1	-	18,045
OTHER FINANCING SOURCES (USES):					
Transfers In	10,223	-	-	-	10,223
Transfers (Out)	-	(30,187)	-	-	(30,187)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(10,068)	8,148	1	-	(1,919)
FUND BALANCES, JANUARY 1	<u>25,206</u>	<u>-</u>	<u>1,340</u>	<u>300</u>	<u>26,846</u>
FUND BALANCES, DECEMBER 31	<u>\$ 15,138</u>	<u>\$ 8,148</u>	<u>\$ 1,341</u>	<u>\$ 300</u>	<u>\$ 24,927</u>

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

ROBERT L. HASKE, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Newberry, Michigan as of and for the year ended December 31, 2009, which collectively comprise the Village of Newberry, Luce County, Michigan's basic financial statements and have issued our report thereon, dated June 24, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Newberry, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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.

Honorable President and Members
of the Village Council

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting, listed as 09-1. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Newberry, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

We noted certain matters that we reported to management of the Village of Newberry, Michigan in separate letter dated June 24, 2010.

Village of Newberry, Michigan's response to the finding identified in our audit is described in the accompanying summary schedule of findings and responses. We did not audit the Village's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the President, Village Council, management, federal awarding agencies, pass-through entities, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

June 24, 2010

COMPLIANCE – INTERNAL CONTROL

Segregation of Duties

Finding 09-1

Condition/Criteria: The accountant performs several functions of receipting, disbursing, and posting to the general ledger. To provide a system of checks and balances, these functions are generally assigned to separate positions to minimize the potential for unauthorized transactions.

Effect: Lack of segregation of duties provides opportunities for inaccurate or unauthorized disbursements or transfers from funds and increases the potential for inaccurate reporting of account activity.

Cause: Sufficient resources and staff are not available to adequately segregate these functions. Additionally, the benefit of separating these duties does not appear to exceed the costs associated with the added personnel.

Recommendation: The Council should be aware of the potential weaknesses in the system and provide appropriate oversight or assistance to personnel when cost beneficial.

Planned Corrective Action: The Village is aware of the potential risk in this situation. This situation is due to lack of staffing needed to separate duties. However, please note. The confidential secretary cuts all the checks for the organization and the Village Manager reviews and signs said checks. If the circumstance arises in which the confidential secretary should need to sign checks in the Village Manager's absence the confidential secretary is required to take a photocopy of the check for the Village Manager's review. The Village Manager keeps a file copy of any checks not signed by her. The Village Manager reviews all checks issued from the Village or Water and Light Funds.

- Contact Person(s) Responsible for Correction:
Beverly Holmes, Village Manager

Status: Limited staffing is still an issue; therefore, segregation of duties is a deficiency in internal controls.



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

ROBERT L. HASKE, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the Village of Newberry, Michigan as of and for the year ended December 31, 2009, and have issued our reports thereon dated June 24, 2010. Professional standards require that we provide you with the following information related to our audit.

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

As stated in our engagement letter dated April 12, 2010, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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 such 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.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on April 12, 2010.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Newberry are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal 2009. We noted no transactions entered into by the Village 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 estimates affecting the financial statements were:

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible accounts receivable in the electric fund is based on past experience and future expectations for collection of various account balances and has been determined to be \$20,000.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are 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. A copy of any adjustments are available from management.

Disagreement with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 24, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

Comments and Recommendations

Electronic Banking (Prior Year)

State law requires that a policy regarding electronic banking be established and approved by the Council. This policy determines who is responsible for activating electronic transactions and the types of transactions which will be made.

Response: Audit firm has agreed to provide templates for this policy for council to review and adopt.

941 Quarterly Reports (Prior Year)

At the current time, the quarterly IRS 941 reports are not reconciled to the wages on the Village's general ledger. We understand that some employees are shared between the Village and Water and Electric Funds, which complicate this reconciliation; however, to insure posting accuracy and proper reporting, we recommend a quarterly reconciliation be performed comparing wages reported per the Village's general ledger to wages reported on the Federal form 941.

Accounting and Financial Reporting for Intangible Assets (Prior Year)

In June of 2007, the GASB issued Statement No. 51, to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments.

Personal Property Taxes (Prior Year)

Currently, the Village is not recording the amount of outstanding delinquent personal property taxes that are due to the Village in the general ledger. It is recommended the Village record the amount of outstanding delinquent personal property taxes in the general ledger of each fund that has a tax levy. The Village should maintain subsidiary ledgers which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

Due From Governmental Units (Prior Year)

The Village has been accruing what is determined to be the neighboring townships portion of the Luce County Sewage Systems operating costs. The neighboring townships have disputed the validity of this liability to the Village. We recommend that the management of the Village and the Village Council review these amounts currently due from the Townships and consider making an allowance for any portion that they consider will not be collectable.

Payroll

While testing payroll, we noted that some of the time cards for Water & Light employees were not punched in/out for certain days and there was no documentation available to reconcile the time cards to the summary sheet that is turned into the Treasurer to run payroll. It is recommended that the Water & Light department supervisor ensure that proper documentation is available to reconcile the time cards to the payroll summary sheets in the event that these are not properly matched.

GASB 54 Fund Balance Components

The Governmental Accounting Standards Board has recently issued a new pronouncement, GASB #54 – Fund Balance Reporting and Governmental Fund Type Definitions. GASB #54 eliminates the current use of the terms reserved and designated in the reporting of fund balance, and replaces those terms with five new categories for segregating fund balance. The Standard is effective for periods beginning after June 15, 2010.

Following are the new categories and related definitions to be used for describing the components of your fund balance:

- **Non-spendable** – Includes amounts either not in spendable form or legally or contractually required to be maintained intact. This would include inventory, prepaids, and non-current receivables.
- **Restricted** – Reflects the same definition as Restricted net assets: Constraints placed on the use of amounts are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. This would generally include amounts in bonded capital projects funds and debt service funds.

- **Committed** – Includes amounts that are committed for specific purposes by formal action of the government’s highest level of decision-making authority. Amounts classified as “committed” are not subject to legal enforceability like restricted fund balance; however, those amounts cannot be used for any other purpose unless the government removes or changes the limitation by taking the same form of action it employed to previously imposed the limitation.
- **Assigned** – Amounts that are intended by the government to be used for specific purposes, but are neither restricted nor limited, should be reported as assigned fund balance. Intent should be expressed by the Board itself or a subordinate high-level body or official possessing the authority to assign amounts to be used for specific purposes in accordance with policies established by the board. This would include ANY activity reported in a fund other than the General Fund.
- **Unassigned** – Includes any remaining amounts after applying the above definitions. Planned spending in the subsequent year’s budget would be included here and can no longer be described as “designated”.

The Standard also requires disclosure in the financial statements of any minimum fund balance policies. We encourage the Village to become familiar with the new terms and definitions and work with the users of the financial statements to ensure a clear presentation and understanding of the new requirements.

Conclusion

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

This information is intended solely for the use of the Village of Newberry, the cognizant audit agencies and other federal and state agencies, and pass-through entities and is not intended to be and should no be used by anyone other than these specified parties.


Anderson, Tackman & Company, PLC
Certified Public Accountants

June 24, 2010