

**Village of Newberry, Michigan**

**BASIC FINANCIAL STATEMENTS**

**December 31, 2012**

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**INDEPENDENT AUDITOR'S REPORT**

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

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Newberry, Michigan, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress and budgetary comparison schedules on pages 4 through 7, page 35 and pages 36 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Newberry's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2013, on our consideration of the Village of Newberry's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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* in considering the Village of Newberry's internal control over financial reporting and compliance.



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

June 14, 2013

## **Management's Discussion and Analysis**

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**Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Position 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 position decreased 3.0% from a year ago decreasing from \$6,497,709 to \$6,303,820. The governmental activities experienced a \$168,596 increase in net position. The business-type activities experienced a \$362,485 decrease in net position, primarily as a result of a write-off and settlement in the Luce County Sewage Fund resulting in a prior period adjustment.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current Assets	\$ 1,057,647	\$ 672,094	\$ 2,085,946	\$ 2,518,439	\$ 3,143,593	\$ 3,190,533
Capital Assets	635,451	643,322	8,285,633	8,301,043	8,921,084	8,944,365
<b>Total Assets</b>	<b>\$ 1,693,098</b>	<b>\$ 1,315,416</b>	<b>\$ 10,371,579</b>	<b>\$ 10,819,482</b>	<b>\$ 12,064,677</b>	<b>\$ 12,134,898</b>
Current Liabilities	\$ 267,283	\$ 85,163	\$ 628,624	\$ 533,255	\$ 895,907	\$ 618,418
Noncurrent Liabilities	324,599	297,633	4,540,351	4,721,138	4,864,950	5,018,771
<b>Total Liabilities</b>	<b>591,882</b>	<b>382,796</b>	<b>5,168,975</b>	<b>5,254,393</b>	<b>5,760,857</b>	<b>5,637,189</b>
Net Position						
Net Investment in						
Capital Assets	285,582	317,025	3,073,479	2,821,743	3,359,061	3,138,768
Unrestricted	815,634	615,595	2,129,125	2,743,346	2,944,759	3,358,941
<b>Total Net Position</b>	<b>\$ 1,101,216</b>	<b>\$ 932,620</b>	<b>\$ 5,202,604</b>	<b>\$ 5,565,089</b>	<b>\$ 6,303,820</b>	<b>\$ 6,497,709</b>

The current level of unrestricted net position for our governmental activities stands at \$815,634 or about 57% of expenditures.

The following table shows the activities of the Village.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program Revenues						
Charges for Services	\$ 593,348	\$ 565,857	\$ 3,801,400	\$ 3,642,799	\$ 4,394,748	\$ 4,208,656
Operating Grants and Contributions	393,705	284,513	-	-	393,705	284,513
Capital Grants and Contributions	-	-	320,798	92,552	320,798	92,552
General Revenues and Transfers						
Property Taxes	330,035	328,687	-	-	330,035	328,687
P.I.L.O.T.	31,500	31,500	-	-	31,500	31,500
State Shared Revenues	156,221	171,544	-	-	156,221	171,544
Interest on Deposits	2,584	3,231	15,162	-	17,746	3,231
Gain on Sales of Capital Assets	-	-	-	15,434	-	15,434
Miscellaneous	-	2,376	-	-	-	2,376
Transfers	97,845	-	(97,845)	-	-	-
<b>Total Revenues</b>	<b>1,605,238</b>	<b>1,387,708</b>	<b>4,039,515</b>	<b>3,750,785</b>	<b>5,644,753</b>	<b>5,138,493</b>
Program Expenses						
Legislative	10,606	7,642	-	-	10,606	7,642
General Government	231,871	214,822	-	-	231,871	214,822
Public Safety	271,978	300,830	-	-	271,978	300,830
Public Works	517,973	478,655	-	-	517,973	478,655
Interest Expense - Unallocated	16,253	16,529	-	-	16,253	16,529
Other Expenses	387,961	263,146	-	-	387,961	263,146
Electric	-	-	2,426,857	2,277,066	2,426,857	2,277,066
Water	-	-	376,454	432,553	376,454	432,553
Sewer	-	-	1,271,849	939,176	1,271,849	939,176
<b>Total Expenses</b>	<b>1,436,642</b>	<b>1,281,624</b>	<b>4,075,160</b>	<b>3,648,795</b>	<b>5,511,802</b>	<b>4,930,419</b>
Changes in Net Position	168,596	106,084	(35,645)	101,990	132,951	208,074
Net Position - Beginning	932,620	826,536	5,565,089	5,463,099	6,497,709	6,289,635
Prior Period Adjustment	-	-	(326,840)	-	(326,840)	-
<b>Net Position - Ending</b>	<b>\$ 1,101,216</b>	<b>\$ 932,620</b>	<b>\$ 5,202,604</b>	<b>\$ 5,565,089</b>	<b>\$ 6,303,820</b>	<b>\$ 6,497,709</b>

**Governmental Activities**

Revenue from property taxes was slightly more than previous years increasing by \$1,348. This is due to stabilization in taxable value. Other revenues, including grant revenue also increased. The governmental funds also had a transfer of \$97,845 from the business-type activities.

Expenses increased by \$155,018.

**Business-Type Activities**

The Village's total business-type revenues increased by \$288,730.

Expenses increased by \$426,365 during the year.

**The Village's Funds**

Our analysis of the Village's major funds begins on page 10, 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 2012 include the General Fund, Fire Operating, Electric, Water, Newberry Sewage, and Luce Village 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 Fire Operating Fund is used to record revenues from the two townships and the village for fire protection and the expenditures incurred to operate the fire department.

The Newberry Sewage and Luce Village 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 replacement of wells and water line replacement and other projects are still in process. Other major capital improvement projects include the completed conversion 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 \$14,995 above the amended budget.

Expenditures were \$56,155 below the amended budget for 2012.

**Capital Asset and Debt Administration**

Capital Assets – The Village's investment in capital assets as of December 31, 2012, amounted to \$8,217,469, (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 2012 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 \$4,863,806 outstanding in capital leases, bonds payable. 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. Normally, 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, in addition possible elimination of personal property tax which itself would eliminate \$28,500 of revenue, and 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 all but one major fund, 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, by calling 906-293-3433 ext. 1 during the hours of 8 am to 4:30 pm, Monday through Friday or write the Village of Newberry at 307 E. McMillan Ave., Newberry, Michigan 49868.

## **Basic Financial Statements**

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Statement of Net Position

December 31, 2012

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS:</b>			
<b>Current Assets</b>			
Cash & Equivalents - Unrestricted	\$ 848,728	\$ 1,246,304	\$ 2,095,032
Cash & Equivalents - Restricted	-	213,858	213,858
Receivables			
Accounts - net	43,147	348,904	392,051
Current Tax	36,944	-	36,944
Other Governments	222,786	101,080	323,866
Internal Balances	(93,958)	93,958	-
Inventory	-	81,842	81,842
Total Current Assets	1,057,647	2,085,946	3,143,593
<b>Noncurrent Assets</b>			
Capital Credits in Coop	-	703,615	703,615
Capital Assets (Not Depreciated)	-	15,204	15,204
Capital Assets, (Net of Depreciation)	635,451	7,566,814	8,202,265
Total Noncurrent Assets	635,451	8,285,633	8,921,084
TOTAL ASSETS	\$ 1,693,098	\$ 10,371,579	\$ 12,064,677
<b>LIABILITIES:</b>			
<b>Current Liabilities</b>			
Account Payable	\$ 68,932	\$ 118,960	\$ 187,892
Accrued Liabilities	130,194	59,714	189,908
Other Liabilities	-	38,890	38,890
Accrued Interest Payable	1,470	50,494	51,964
Deferred Revenue	-	111,566	111,566
Capital Leases	16,604	-	16,604
Bonds Payable	50,083	249,000	299,083
Total Current Liabilities	267,283	628,624	895,907
<b>Noncurrent Liabilities</b>			
Vested Employee Benefits	5,400	-	5,400
Post Employment Health Care	36,017	280,814	316,831
Capital Leases	68,869	-	68,869
Bonds Payable	214,313	4,259,537	4,473,850
Total Noncurrent Liabilities	324,599	4,540,351	4,864,950
TOTAL LIABILITIES	591,882	5,168,975	5,760,857
<b>NET POSITION:</b>			
Net Investment in Capital Assets	285,582	3,073,479	3,359,061
Unrestricted Net Assets	815,634	2,129,125	2,944,759
TOTAL NET POSITION	\$ 1,101,216	\$ 5,202,604	\$ 6,303,820

# Village of Newberry, Michigan

## Statement of Activities For the Year Ended December 31, 2012

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
<b>Governmental Activities:</b>							
Legislative	\$ 10,606	\$ -	\$ -	\$ -	\$ (10,606)	\$ -	\$ (10,606)
General Government	231,871	235,664	103,000	-	106,793	-	106,793
Public Safety	271,978	38,692	127,752	-	(105,534)	-	(105,534)
Public Works	517,973	318,992	162,953	-	(36,028)	-	(36,028)
Other Expenses	387,961	-	-	-	(387,961)	-	(387,961)
Interest Expense - Unallocated	16,253	-	-	-	(16,253)	-	(16,253)
Total Governmental Activities	1,436,642	593,348	393,705	-	(449,589)	-	(449,589)
<b>Business-type Activities:</b>							
Electric	2,426,857	2,437,879	-	-	-	11,022	11,022
Water	376,454	384,299	-	229,448	-	237,293	237,293
Sewer	1,271,849	979,222	-	91,350	-	(201,277)	(201,277)
Total Business-type Activities	4,075,160	3,801,400	-	320,798	-	47,038	47,038
Total Primary Government	\$ 5,511,802	\$ 4,394,748	\$ 393,705	\$ 320,798	(449,589)	47,038	(402,551)
<b>General Revenues and Transfers:</b>							
Property Taxes					330,035	-	330,035
P.I.L.O.T					31,500	-	31,500
State Revenue Sharing					156,221	-	156,221
Interest on Deposits					2,584	15,162	17,746
Transfers - Net					97,845	(97,845)	-
Total General Revenues and Transfers					618,185	(82,683)	535,502
Change in Net Position					168,596	(35,645)	132,951
Net Position - Beginning					932,620	5,565,089	6,497,709
Prior Period Adjustment					-	(326,840)	(326,840)
<b>Net Position - Ending</b>					\$ 1,101,216	\$ 5,202,604	\$ 6,303,820

See accompanying notes to financial statements.

# Village of Newberry, Michigan

## Balance Sheet Governmental Funds December 31, 2012

	General Fund	Fire Operating	Other Governmental Funds	Total
<b>ASSETS:</b>				
Cash	\$ 490,287	\$ 93,703	\$ 264,738	\$ 848,728
Taxes Receivable	24,401	-	12,543	36,944
Accounts Receivable	11,747	31,400	-	43,147
Due From Other Funds	430,554	14,741	62,392	507,687
Due From Other Governmental Units	54,607	26,387	141,792	222,786
<b>TOTAL ASSETS</b>	<b>\$ 1,011,596</b>	<b>\$ 166,231</b>	<b>\$ 481,465</b>	<b>\$ 1,659,292</b>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 68,932	\$ -	\$ -	\$ 68,932
Accrued Liabilities	6,658	10	123,526	130,194
Due to Other Funds	376,339	4,844	220,462	601,645
Deferred Revenue	12,137	-	-	12,137
<b>TOTAL LIABILITIES</b>	<b>464,066</b>	<b>4,854</b>	<b>343,988</b>	<b>812,908</b>
<b>FUND BALANCES:</b>				
Restricted	-	161,377	137,477	298,854
Committed	-	-	-	-
Unassigned	547,530	-	-	547,530
<b>TOTAL FUND BALANCES</b>	<b>547,530</b>	<b>161,377</b>	<b>137,477</b>	<b>846,384</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,011,596</b>	<b>\$ 166,231</b>	<b>\$ 481,465</b>	

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

Capital assets used by governmental activities	635,451
Post Employment Health Care (OPEB)	(36,017)
Long-term notes & leases payable for governmental activities	(349,869)
Vested employee benefits	(5,400)
Deferred revenue	12,137
Accrued interest expense	(1,470)
<b>Net position of governmental activities</b>	<b>\$ 1,101,216</b>

# Village of Newberry, Michigan

## Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds For the Year Ended December 31, 2012

	General Fund	Fire Operating	Other Governmental Funds	Total
<b>REVENUES:</b>				
Taxes	\$ 250,709	\$ -	\$ 110,826	\$ 361,535
Licenses and Permits	240	-	-	240
State Sources	159,221	18,400	287,083	464,704
Local Sources	-	81,374	137,962	219,336
Charges for Services	123,596	37,080	-	160,676
Interest and Rents	1,363	757	464	2,584
Refunds & Reimbursements	418,954	1,611	-	420,565
Other Revenue	1,267	-	-	1,267
<b>TOTAL REVENUES</b>	<b>955,350</b>	<b>139,222</b>	<b>536,335</b>	<b>1,630,907</b>
<b>EXPENDITURES:</b>				
Legislative	10,606	-	-	10,606
General Government	242,233	-	112,534	354,767
Public Safety	67,551	131,775	-	199,326
Public Works	194,816	-	313,392	508,208
Other Expenditures	353,336	-	-	353,336
Capital Outlay	88,014	-	-	88,014
Debt Service	55,944	-	20,455	76,399
<b>TOTAL EXPENDITURES</b>	<b>1,012,500</b>	<b>131,775</b>	<b>446,381</b>	<b>1,590,656</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(57,150)</b>	<b>7,447</b>	<b>89,954</b>	<b>40,251</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Debt Issuance	83,900	-	-	83,900
Transfers In	97,845	40,687	36,945	175,477
Transfers (Out)	-	-	(77,632)	(77,632)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>181,745</b>	<b>40,687</b>	<b>(40,687)</b>	<b>181,745</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>124,595</b>	<b>48,134</b>	<b>49,267</b>	<b>221,996</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>422,935</b>	<b>113,243</b>	<b>88,210</b>	<b>624,388</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 547,530</b>	<b>\$ 161,377</b>	<b>\$ 137,477</b>	<b>\$ 846,384</b>

# Village of Newberry, Michigan

## 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, 2012

Net changes in fund balances – total governmental funds \$ 221,996

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and 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 (\$95,885) exceeded capital outlay of \$88,014. (7,871)

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

Principal repayments:

Bond principal	\$ 44,504	
Lease principal	15,824	
Bond proceeds	<u>(83,900)</u>	(23,572)

Deferred revenue in fund statement recorded as revenue in GASB statement. (1,268)

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

Vested employee benefits	\$ 14,118	
Other Post Employment Benefits (OPEB)	(34,625)	
Accrued interest on bonds	<u>(182)</u>	<u>(20,689)</u>

Changes in net position of governmental activities \$ 168,596

# Village of Newberry, Michigan

## Statement of Net Position Proprietary Funds December 31, 2012

	Enterprise Funds				Total
	Electric	Water	Newberry Sewage	Luce County Sewage	
<b>ASSETS:</b>					
<b>Current Assets</b>					
Cash & Equivalents - Unrestricted	\$ 918,290	\$ 422,166	\$ 87,370	\$ 32,336	\$ 1,460,162
Accounts Receivable	222,592	125,812	-	500	348,904
Due from Other Funds	380,689	3,160	82,516	133,228	599,593
Inventories	72,185	329	-	9,328	81,842
Due from Governmental Units	-	-	15,845	85,235	101,080
Current Assets	<u>1,593,756</u>	<u>551,467</u>	<u>185,731</u>	<u>260,627</u>	<u>2,591,581</u>
<b>Noncurrent Assets</b>					
Capital Credits in Coop	703,615	-	-	-	703,615
Property, Plant & Equipment	5,794,442	5,599,599	2,613,954	76,412	14,084,407
Accumulated Depreciation	<u>(3,502,240)</u>	<u>(1,338,932)</u>	<u>(1,611,156)</u>	<u>(50,061)</u>	<u>(6,502,389)</u>
Total Noncurrent Assets	<u>2,995,817</u>	<u>4,260,667</u>	<u>1,002,798</u>	<u>26,351</u>	<u>8,285,633</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,589,573</u></u>	<u><u>\$ 4,812,134</u></u>	<u><u>\$ 1,188,529</u></u>	<u><u>\$ 286,978</u></u>	<u><u>\$ 10,877,214</u></u>
<b>LIABILITIES:</b>					
<b>Current Liabilities</b>					
Due to Other Funds	\$ 46,288	\$ 47	\$ 240,981	\$ 218,319	\$ 505,635
Accounts Payable	118,960	-	-	-	118,960
Accrued Liabilities	20,028	14,081	-	25,605	59,714
Other Liabilities	38,890	-	-	-	38,890
Accrued Interest Payable	15,066	33,858	1,570	-	50,494
Deferred Revenue	111,566	-	-	-	111,566
Bonds Payable	<u>185,000</u>	<u>32,000</u>	<u>32,000</u>	<u>-</u>	<u>249,000</u>
Total Current Liabilities	<u>535,798</u>	<u>79,986</u>	<u>274,551</u>	<u>243,924</u>	<u>1,134,259</u>
<b>Noncurrent Liabilities</b>					
Post Employment Health Care(OPEB)	145,901	-	-	134,913	280,814
Bonds Payable	<u>1,760,000</u>	<u>2,394,000</u>	<u>105,537</u>	<u>-</u>	<u>4,259,537</u>
Total Noncurrent Liabilities	<u>1,905,901</u>	<u>2,394,000</u>	<u>105,537</u>	<u>134,913</u>	<u>4,540,351</u>
<b>TOTAL LIABILITIES</b>	<u>2,441,699</u>	<u>2,473,986</u>	<u>380,088</u>	<u>378,837</u>	<u>5,674,610</u>
<b>NET POSITION:</b>					
Net Investment in Capital Assets	347,200	1,834,667	865,261	26,351	3,073,479
Unrestricted	<u>1,800,674</u>	<u>503,481</u>	<u>(56,820)</u>	<u>(118,210)</u>	<u>2,129,125</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 2,147,874</u></u>	<u><u>\$ 2,338,148</u></u>	<u><u>\$ 808,441</u></u>	<u><u>\$ (91,859)</u></u>	<u><u>\$ 5,202,604</u></u>

# Village of Newberry, Michigan

## Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds For the Year Ended December 31, 2012

	Enterprise Funds				Total
	Electric	Water	Newberry Sewage	Luce County Sewage	
<b>OPERATING REVENUES:</b>					
Charges for Services	\$ 2,291,460	\$ 367,631	\$ 430,064	\$ 545,852	\$ 3,635,007
Other Income	146,419	16,668	-	3,306	166,393
<b>TOTAL OPERATING REVENUES</b>	<b>2,437,879</b>	<b>384,299</b>	<b>430,064</b>	<b>549,158</b>	<b>3,801,400</b>
<b>OPERATING EXPENSES:</b>					
Employee Wages & Benefits	488,033	78,191	15,419	263,732	845,375
Supplies	125,720	3,123	-	49,268	178,111
Repairs & Maintenance	122,682	575	529,163	2,470	654,890
Contracted Services	260,526	23,402	139,946	67,308	491,182
Insurance	17,319	8,396	-	13,416	39,131
Depreciation	75,957	161,059	54,626	3,449	295,091
Utilities	1,134,516	-	-	125,675	1,260,191
Other Expenses	105,124	310	-	-	105,434
<b>TOTAL OPERATING EXPENSES</b>	<b>2,329,877</b>	<b>275,056</b>	<b>739,154</b>	<b>525,318</b>	<b>3,869,405</b>
<b>OPERATING INCOME (LOSS)</b>	<b>108,002</b>	<b>109,243</b>	<b>(309,090)</b>	<b>23,840</b>	<b>(68,005)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Interest Expense	(96,980)	(101,398)	(7,377)	-	(205,755)
Interest & Rentals	8,759	2,622	3,553	228	15,162
Grants	-	229,448	91,350	-	320,798
Total Nonoperating Revenues (Expenses)	(88,221)	130,672	87,526	228	130,205
<b>INCOME BEFORE OPERATING TRANSFERS</b>	<b>19,781</b>	<b>239,915</b>	<b>(221,564)</b>	<b>24,068</b>	<b>62,200</b>
Operating Transfers Out	-	-	(97,845)	-	(97,845)
<b>CHANGES IN NET POSITION</b>	<b>19,781</b>	<b>239,915</b>	<b>(319,409)</b>	<b>24,068</b>	<b>(35,645)</b>
NET POSITION, JANUARY 1	2,128,093	2,098,233	1,127,850	210,913	5,565,089
Prior Period Adjustment	-	-	-	(326,840)	(326,840)
<b>NET POSITION, DECEMBER 31</b>	<b>\$ 2,147,874</b>	<b>\$ 2,338,148</b>	<b>\$ 808,441</b>	<b>\$ (91,859)</b>	<b>\$ 5,202,604</b>

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2012**

	Enterprise Funds				Total
	Electric	Water	Newberry Sewage	Luce County Sewage	
<b>Cash Flows from Operating Activities:</b>					
Cash Received from Customers or Users	\$ 2,505,888	\$ 368,800	\$ 429,320	\$ 848,351	\$ 4,152,359
Cash Payments to Employees	(447,022)	(77,980)	(15,419)	(225,994)	(766,415)
Cash Payments to Vendors	(1,824,555)	(40,113)	(669,109)	(255,155)	(2,788,932)
Cash Received (Paid) for Other Funds	362,563	(337,643)	93,850	(319,736)	(200,966)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>596,874</u>	<u>(86,936)</u>	<u>(161,358)</u>	<u>47,466</u>	<u>396,046</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Debt Principal Payments	(175,000)	(30,000)	(29,261)	-	(234,261)
Debt Interest Payments	(98,175)	(101,310)	(7,617)	-	(207,102)
Bond Proceeds	-	-	-	-	-
Federal Grants / State Grants	-	229,448	91,350	-	320,798
Purchase of Capital Credits	32,884	-	-	-	32,884
Purchase of Property and Equipment	(3,513)	(288,706)	-	(20,346)	(312,565)
Insurance Proceeds - Deferred	111,566	-	-	-	111,566
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(132,238)</u>	<u>(190,568)</u>	<u>54,472</u>	<u>(20,346)</u>	<u>(288,680)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>					
Transfers to Other Funds	-	-	(97,845)	-	(97,845)
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<u>-</u>	<u>-</u>	<u>(97,845)</u>	<u>-</u>	<u>(97,845)</u>
<b>Cash Flows from Investing Activities:</b>					
Interest Received	8,759	2,622	3,553	228	15,162
<b>Net Cash Provided by Investing Activities</b>	<u>8,759</u>	<u>2,622</u>	<u>3,553</u>	<u>228</u>	<u>15,162</u>
Net Increase (Decrease) in Cash	473,395	(274,882)	(201,178)	27,348	24,683
Cash and Cash Equivalents, Beginning of Year	444,895	697,048	288,548	4,988	1,435,479
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 918,290</u>	<u>\$ 422,166</u>	<u>\$ 87,370</u>	<u>\$ 32,336</u>	<u>\$ 1,460,162</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>					
Operating Income (Loss)	\$ 108,002	\$ 109,243	\$ (309,090)	\$ 23,840	\$ (68,005)
Add Non-Cash Expenses:					
Depreciation Expense	75,957	161,059	54,626	3,449	295,091
Changes in Assets and Liabilities:					
(Increase) Decrease in Assets					
Receivables	68,009	(15,499)	-	-	52,510
Due from Other Governments	-	-	(744)	299,193	298,449
Inventories	(22,638)	-	-	2,982	(19,656)
Due from (to) Other Funds	362,563	(337,643)	93,850	(319,736)	(200,966)
Increase (Decrease) in Liabilities:					
Accounts Payable	(41,320)	(4,307)	-	-	(45,627)
Other Liabilities	5,290	-	-	-	5,290
Accrued Liabilities	3,205	211	-	7,331	10,747
Post Employment Health Care (OPEB)	37,806	-	-	30,407	68,213
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 596,874</u>	<u>\$ (86,936)</u>	<u>\$ (161,358)</u>	<u>\$ 47,466</u>	<u>\$ 396,046</u>

## **Notes to Financial Statements**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Village of Newberry, Luce Village, Michigan, conform to U.S. 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 position 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. Separate statements for each fund category – *governmental and proprietary* – 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.

*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 Village sewer utilities.

*Luce Village Sewage.* This fund accounts for the operation, maintenance, and development of Village 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 financed by proprietary funds.

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

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

*Government-wide and Proprietary Financial Statements.* The government-wide and proprietary 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 position available to finance the program. It is the Village's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**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 \$20,007.

**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)**

**Fund Balance Classification**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Village is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Village has classified Inventories and Prepaid Items as being Nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Village has \$298,854 of restricted fund balance.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Village. These amounts cannot be used for any other purpose unless the Village removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the Village's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Village through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Village would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

**Vested Employee Benefits**

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

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

**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 June 14, 2013, 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	\$ 2,095,032
- Restricted	<u>213,858</u>
Total	<u>\$ 2,308,890</u>
Imprest	\$ 500
CD's savings and checking	<u>2,308,390</u>
Total	<u>\$ 2,308,890</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>
<b>Water:</b>		
	Repair, Replacement and Improvement	\$ 103,215
	Bond Redemption	13,243
	Bond Reserve	<u>97,400</u>
		<u>\$ 213,858</u>

NOTE 2 - CASH AND EQUIVALENTS: (Continued)

**Water Fund – Restricted Cash**

	<u>December 31, 2012</u>	
	<u>Required Balance</u>	<u>Actual Balance</u>
<b>Bond Principal and Interest Reserves</b>		
Water Supply System Revenue Bond Series 2005	\$ 11,920	\$ 11,920
Water Supply System Revenue Bond Series 2009	<u>1,323</u>	<u>1,323</u>
	<u>\$ 13,243</u>	<u>\$ 13,243</u>
<b>Bond Reserves</b>		
Water Supply System Revenue Bond Series 2005	\$ 91,000	\$ 91,000
Water Supply System Revenue Bond Series 2009	<u>6,400</u>	<u>6,400</u>
	<u>\$ 97,400</u>	<u>\$ 97,400</u>
<b>Repair, Replacement and Improvements</b>		
Water Supply System Revenue Bond Series 2005	<u>\$ 103,215</u>	<u>\$ 103,215</u>
Total Reserves	<u>\$ 213,858</u>	<u>\$ 213,858</u>

**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, \$1,872,206 of the Village’s bank balance of \$2,468,572 was exposed to credit risk because it was uninsured and uncollateralized.

**NOTE 2 - CASH AND EQUIVALENTS: (Continued)**

An act (PA 152) to amend 1943 PA 20, entitled “An act relative to the investment of funds of public corporations of the state; and to validate certain investments,” by amending section 1 (MCL 129.91), as amended by 2009 PA 21.

Except as provided in section 5, the governing body by resolution may authorize its investment officer to invest the funds of that public corporation in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (5); or deposit accounts of a financial institution as provided in subsection (6).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers’ acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
  - (i) The purchase of securities on a when-issued or delayed delivery basis.
  - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
  - (iii) The limited ability to borrow and pledge a like portion of the portfolio’s assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

**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 position/balance sheet for governmental funds, proprietary funds, and fiduciary funds.

Interfund balances at December 31, 2012 consisted of the following:

		DUE FROM OTHER FUNDS							
DUE TO OTHER FUNDS		General	Fire Operating	Nonmajor Governmental	Electric	Water	Newberry Sewage	Luce Village Sewage	Total
	General	\$	-	\$ 1,548	\$ 8,380	\$ 307,966	\$ 2,954	\$ 55,491	\$ -
Fire Operating		-	-	-	4,844	-	-	-	4,844
Nonmajor Governmental		144,125	13,193	53,339	9,805	-	-	-	220,462
Electric		18,637	-	626	-	-	27,025	-	46,288
Water		-	-	47	-	-	-	-	47
Newberry Sewage		53,389	-	-	54,364	-	-	133,228	240,981
Luce Village Sewage		214,403	-	-	3,710	206	-	-	218,319
Total		<u>\$ 430,554</u>	<u>\$ 14,741</u>	<u>\$ 62,392</u>	<u>\$ 380,689</u>	<u>\$ 3,160</u>	<u>\$ 82,516</u>	<u>\$ 133,228</u>	<u>\$ 1,107,280</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, 2012 consisted of the following:

**Interfund Transfers**

		TRANSFERS OUT		
		Nonmajor Governmental Funds	Luce County Sewage	Total
TRANSFERS IN	General Fund	\$ -	\$ 97,845	\$ 97,845
	Fire Operating	40,687	-	40,687
	Nonmajor Governmental	<u>36,945</u>	<u>-</u>	<u>36,945</u>
	Total	<u>\$ 77,632</u>	<u>\$ 97,845</u>	<u>\$ 175,477</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, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities:</b>				
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	\$ 770,726	\$ -	\$ -	\$ 770,726
Infrastructure	173,360	-	-	173,360
Vehicles and Equipment	<u>2,020,256</u>	<u>88,014</u>	<u>-</u>	<u>2,108,270</u>
Total assets being depreciated	<u>2,964,342</u>	<u>88,014</u>	<u>-</u>	<u>3,052,356</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Improvements	(695,316)	(5,333)	-	(700,649)
Infrastructure	(26,004)	(8,668)	-	(34,672)
Vehicles and Equipment	<u>(1,599,700)</u>	<u>(81,884)</u>	<u>-</u>	<u>(1,681,584)</u>
Total accumulated depreciation	<u>(2,321,020)</u>	<u>(95,885)</u>	<u>-</u>	<u>(2,416,905)</u>
Governmental Activities Capital Assets, Net	<u>\$ 643,322</u>	<u>\$ (7,871)</u>	<u>\$ -</u>	<u>\$ 635,451</u>

**NOTE 4 - CAPITAL ASSETS: (Continued)**

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

Governmental Activities:	
General Government	\$ 3,756
Public Safety	72,352
Public Works	<u>19,777</u>
 Total Governmental Activities	 <u>\$ 95,885</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type activities:</b>				
<i>Capital assets not depreciated:</i>				
Land	\$ 15,204	\$ -	\$ -	\$ 15,204
<i>Capital assets being depreciated:</i>				
Buildings and improvements	195,654	-	-	195,654
Water system	5,277,655	288,706	-	5,566,361
Sewer system	2,623,149	-	-	2,623,149
Electric system	5,094,574	-	-	5,094,574
Vehicles and equipment	<u>565,606</u>	<u>23,859</u>	-	<u>589,465</u>
 Total capital assets being depreciated	 <u>13,756,638</u>	 <u>312,565</u>	 <u>-</u>	 <u>14,069,203</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(167,350)	(1,541)	-	(168,891)
Water system	(1,164,996)	(156,344)	-	(1,321,340)
Sewer system	(1,580,320)	(54,012)	-	(1,634,332)
Electric system	(2,849,082)	(54,165)	-	(2,903,247)
Vehicles and equipment	<u>(445,550)</u>	<u>(29,029)</u>	-	<u>(474,579)</u>
 Total accumulated depreciation	 <u>(6,207,298)</u>	 <u>(295,091)</u>	 <u>-</u>	 <u>(6,502,389)</u>
 Total capital assets being depreciated, net	 <u>7,549,340</u>	 <u>17,474</u>	 <u>-</u>	 <u>7,566,814</u>
 Business-type activities capital assets, net	 <u>\$ 7,564,544</u>	 <u>\$ 17,474</u>	 <u>\$ -</u>	 <u>\$ 7,582,018</u>

**NOTE 4 - CAPITAL ASSETS: (Continued)**

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

Business-type Activities:	
Electric	\$ 75,957
Water	161,059
Newberry Sewage	54,626
Luce Village Sewage	<u>3,449</u>
Total Business-type Activities	<u>\$ 295,091</u>

**NOTE 5 - LEASES:**

Capital Leases – The Village leases one vehicle and equipment (value net of depreciation \$266,401) 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 have 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:

2013	\$ 20,446
2014	20,446
2015	20,447
2016	20,447
2017	<u>14,320</u>
Total minimum lease payments	96,106
Less amount representing interest	<u>(10,633)</u>
Present value of minimum lease payments	<u>\$ 85,473</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, 2012 are summarized as follows:

	Balance 01/01/12	Additions	Deductions	Balance 12/31/12	Due Within One Year
<b>Governmental Activities:</b>					
Installment loan with First National Bank, due in 60 monthly installment payments of \$1,470.64 including interest rate of 2.00%, secured by equipment, maturing 2017.	\$ -	\$ 83,900	\$ 10,754	\$ 73,146	\$ 16,333

**NOTE 6 - LONG-TERM DEBT: (Continued)**

	<u>Balance 01/01/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/12</u>	<u>Due Within One Year</u>
2002 General Obligation Bonds, Bonds maturing Serially to 2017 in annual payments ranging from \$41,250 to \$71,250, bearing interest of 4.4% to 4.8%.	225,000	-	33,750	191,250	33,750
Total Governmental Activities	225,000	83,900	44,504	264,396	50,083
<b>Business-type Activities:</b>					
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%.	200,000	-	30,000	170,000	30,000
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%.	75,000	-	11,250	63,750	11,250
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%.	585,000	-	40,000	545,000	45,000
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%.	670,000	-	45,000	625,000	45,000
2005 Water Supply System Revenue Bonds, maturing serially to 2045 in annual amounts ranging from \$20,000 to \$123,000, bearing interest of 4.125%.	2,165,000	-	27,000	2,138,000	28,000
1976 Sanitary Sewage Improvement Bonds, maturing serially to 2016 in annual amounts ranging from \$7,000 to \$32,000, bearing interest of 5.0%.	91,798*	-	18,011	73,787	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%.	665,000	-	60,000	605,000	65,000

**NOTE 6 - LONG-TERM DEBT: (Continued)**

	Balance 01/01/12	Additions	Deductions	Balance 12/31/12	Due Within One Year
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%.	291,000	-	3,000	288,000	4,000
Total Business-type Activities	4,742,798	-	234,261	4,508,537	246,261
Vested Employee Benefits	19,518	-	14,118	5,400	-
<b>TOTAL LONG-TERM OBLIGATIONS</b>	<b>\$ 4,987,316</b>	<b>\$ 83,900</b>	<b>\$ 292,883</b>	<b>\$ 4,778,333</b>	<b>\$ 296,344</b>

\* On August 1, 1976, the Village of Luce issued \$805,000 of its bonds to partially finance the cost of sanitary sewage improvements in the Village of Newberry, the Township of Pentland and the Township of McMillan. The Village is responsible for 58.1% of the bond principal plus 58.1% of the interest expense. The bonds bear interest at the rate of 5.0% per annum. The Village's portions of the bonds are backed by full faith and credit of the Village.

The annual principal and interest requirements for the years ending December 31, 2012 and after, excluding accrued compensated absences are as follows:

Year End June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 50,083	\$ 10,135	\$ 246,261	\$ 196,647
2014	52,663	8,320	250,592	186,173
2015	55,249	6,364	270,342	175,275
2016	57,842	4,262	279,092	163,713
2017	48,559	2,077	270,250	151,186
2018-2022	-	-	1,088,000	584,953
2023-2027	-	-	344,000	401,471
2028-2032	-	-	346,000	335,775
2033-2037	-	-	432,000	257,567
2038-2042	-	-	546,000	159,641
2043-2047	-	-	420,000	41,294
2048	-	-	16,000	660
<b>Total</b>	<b>\$ 264,396</b>	<b>\$ 31,158</b>	<b>\$ 4,508,537</b>	<b>\$ 2,654,355</b>

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 - VESTED EMPLOYEE BENEFITS:**

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, 2012, the liability totaled \$5,400.

**NOTE 7 - VESTED EMPLOYEE BENEFITS: Continued)**

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 Village 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, 2012 totaled \$17,343,660. The tax levy for that year was based on the following rates:

	<u>Millage Rate Used</u>
General Operating	11.2262
Streets and Alleys	4.4903
Garbage	1.3928
Fire Service	1.9952

**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, 2011.

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	19.72%
Supervisors	63.85%
General Light and Power	6.81%

Annual Pension Cost

During the fiscal year ended December 31, 2012, the Village's contributions totaling \$105,943 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2011. 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 28 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.

**NOTE 10 - DEFINED BENEFIT PENSION PLAN: (Continued)**

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 111,124	100%	0
2011	102,628	100%	0
2012	105,943	100%	0

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

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 funding 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.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Normal Cost Component			
Normal Cost	\$ 41,566	\$ 51,689	\$ 93,255
Interest	<u>2,286</u>	<u>2,843</u>	<u>5,129</u>
Total Normal Cost	<u>43,852</u>	<u>54,532</u>	<u>98,384</u>
Amortization Component			
Actuarial Accrued Liability	968,934	1,006,624	1,975,558
Less: Assets	<u>-</u>	<u>-</u>	<u>-</u>
Unfunded Actuarial Accrued Liability	968,934	1,006,624	1,975,558
Divided by PV Factor	<u>21.1223</u>	<u>21.1223</u>	<u>21.1223</u>
Amortization Payment	45,873	47,657	93,530
Interest	<u>2,523</u>	<u>2,621</u>	<u>5,144</u>
Total Amortization Payment	<u>48,396</u>	<u>50,278</u>	<u>98,674</u>
Annual Required Contribution	<u>\$ 92,248</u>	<u>\$ 104,810</u>	<u>\$ 197,058</u>
Annual Cost for OPEB			
Annual Required Contribution	\$ 92,248	\$ 104,810	\$ 197,058
Interest on Net OPEB Obligation	-	-	-
Adjustments to ARC	<u>-</u>	<u>-</u>	<u>-</u>
Annual OPEB Cost	92,248	104,810	197,058
Contributions Made – Current Year	<u>(57,623)</u>	<u>(36,597)</u>	<u>(94,220)</u>
Increase in Net OPEB Obligation	34,625	68,213	102,838
Net OPEB Obligation Beginning of Year	<u>1,392</u>	<u>212,601</u>	<u>213,993</u>
Net OPEB Obligation End of Year	<u>\$ 36,017</u>	<u>\$ 280,814</u>	<u>\$ 316,831</u>

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

The Village provides post retirement health care benefits to all employees who retire from the Village. There were 11 retirees receiving benefits with an approximate annual cost of \$94,220. Three were 10 active employees at December 31, 2012.

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the year ended December 31, 2012 were as follows:

Annual OPEB Costs	\$	197,058
Percentage Contributed		47.81%
Net OPEB Obligation	\$	316,821

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**NOTE 12 - 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, 2012.

**NOTE 13 - 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 14 - 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's Electric Fund receives patronage capital credits. During the current year the Village received \$32,884 in capital credit distributions. As of December 31, 2012, the Village has capital credits outstanding of \$703,615. 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 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS:**

Segment information for the year ended December 31, 2012, is as follows:

	Electric	Water	Newberry Sewage	Luce Village Sewage
Nonoperating revenue (expense)	\$ (88,221)	\$ 130,672	\$ 87,526	\$ 228
Operating income (loss)	108,002	109,243	(309,090)	23,840
Changes in net position	19,781	239,915	(319,409)	24,068
Operating revenues	2,437,879	384,299	430,064	549,158
Operating expenses	2,329,877	275,056	739,154	525,318
Depreciation	75,957	161,059	54,626	3,449
Total assets	4,589,573	4,812,134	1,188,529	286,978
Current liabilities	535,798	79,986	274,551	243,924
Long-term debt payable	1,905,901	2,394,000	105,537	134,913
Beginning net position	2,128,093	2,098,233	1,127,850	210,913
Prior period adjustment	-	-	-	(326,840)
Ending net position	2,147,874	2,338,148	808,441	(91,859)
Cash provided (used) by:				
Operating activities	596,874	(86,936)	(161,358)	47,466
Capital financing	(132,238)	(190,568)	54,472	(20,346)
Non-Capital financing	-	-	(97,845)	-
Investing	8,759	2,622	3,553	228
Beginning cash	444,895	697,048	288,548	4,988
Ending cash	918,290	422,166	87,370	32,336

**NOTE 16 - CHANGE IN PRESENTATION:**

During 2012, the entity implemented Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that was included in Financial Accounting Standards Board and predecessor organization's pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting deferred outflows of resources, deferred inflows of resources and net position in a statement of financial position and related disclosures. There were no significant changes to the financial statements as a result of adopting these Statements. The Village did not adopt provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Effects on the financial statements as a result of adopting this standard are limited to financial presentation.

**NOTE 17 - PRIOR PERIOD ADJUSTMENT:**

The Village along with Pentland Township and McMillan Township operate the Luce County Sewer system. There has been on-going litigation over the method of billing charges for the operation of that system. In prior years, receivables from the Townships were recorded and remained unpaid. During 2012 a settlement was recorded and prior billings totaling 326,840 were written off. This amount is recorded as an adjustment to the opening fund balance.

**NOTE 18 - DEFICIT FUND BALANCES:**

A fund balance deficit existed in the following funds as indicated:

Luce County Sewage	\$	91,859
Downtown Development		31,568

Luce County Sewage O&M Fund: The fund deficit was caused by the write off caused by litigation settlement with McMillan and Pentland Township. Also contributing to the fund deficit was the GASB 34 requirement to book OPEB costs. Had one or the other not occurred, we would not have a deficit balance in this fund.

Downtown Development/Streetscape Phase 2: The fund deficit was caused by expenses booked in 2012 paid in 2013. Monies were transferred in 2013 from Water and Light to cover these expenses.

## **Required Supplementary Information**

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**Village of Newberry, Michigan**

**Employee Retirement and Benefit Systems  
December 31, 2012**

**Pension:**

Three year trend information as of December 31 follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Actuarial Value of Assets	\$ 2,707,493	\$ 2,730,994	\$ 2,746,847
Actuarial Accrued Liability	3,830,614	3,887,243	3,924,738
Unfunded AAL	1,123,121	1,156,249	1,177,891
Funded Ratio	71%	70%	70%
Covered Payroll	555,767	564,470	540,440
UAAL as a Percentage of Covered Payroll	202%	205%	218%

**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>
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***Primary Government***

2009	\$	-	\$1,677,903	\$1,677,903	0.0%	Not Available	-
2010	\$	-	\$1,975,558	\$1,975,558	0.0%	Not Available	-

**Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
Year Ended December 31, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 248,300	\$ 248,300	\$ 250,709	\$ 2,409
Licenses & Permits	125	125	240	115
State Sources	155,400	155,400	159,221	3,821
Charges for Services	119,700	119,700	123,596	3,896
Interest & Rentals	650	650	1,363	713
Refunds & Reimbursements	414,980	414,980	418,954	3,974
Other Revenue	1,200	1,200	1,267	67
<b>TOTAL REVENUES</b>	<b>940,355</b>	<b>940,355</b>	<b>955,350</b>	<b>14,995</b>
<b>EXPENDITURES</b>				
Legislative:				
Village Council	10,630	10,780	10,606	174
General Government:				
Village President	3,650	3,950	3,882	68
Administration	59,000	59,100	58,967	133
Elections	570	20	3	17
Accounting	57,590	57,590	53,269	4,321
Attorney	4,000	2,600	2,252	348
Village Clerk	11,200	11,900	11,318	582
Audit	7,600	7,600	7,570	30
Treasurer	9,050	9,650	9,431	219
Building & Grounds	25,925	26,125	25,695	430
Motor Pool	69,770	70,070	69,846	224
<b>Total General Government</b>	<b>248,355</b>	<b>248,605</b>	<b>242,233</b>	<b>6,372</b>
Public Safety:				
Police Department	67,700	67,700	67,551	149
<b>Total Public Safety</b>	<b>67,700</b>	<b>67,700</b>	<b>67,551</b>	<b>149</b>
Public Works:				
Department of Public Works	51,950	50,950	50,514	436
Sidewalks	21,000	6,000	5,896	104
Street Lighting	22,000	22,000	21,925	75
Sewers	54,000	54,000	53,705	295
Storm Sewer Construction	1,200	1,200	-	1,200
Rubbish & Garbage	63,100	63,200	62,776	424
<b>Total Public Works</b>	<b>213,250</b>	<b>197,350</b>	<b>194,816</b>	<b>2,534</b>
Other Expenditures				
Fringe Benefits	353,860	342,360	333,771	8,589
Insurance & Bonds	26,950	26,950	19,565	7,385
Budget Stabilization	32,410	32,410	-	32,410
<b>Total Other Expenditures</b>	<b>413,220</b>	<b>401,720</b>	<b>353,336</b>	<b>48,384</b>

**Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
Year Ended December 31, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Capital Outlay	14,300	86,400	88,014	(1,614)
Debt Service	44,200	56,100	55,944	156
TOTAL EXPENDITURES	1,011,655	1,068,655	1,012,500	56,155
EXCESS OF REVENUES OVER EXPENDITURES	(71,300)	(128,300)	(57,150)	71,150
OTHER FINANCING SOURCES (USES)				
Proceeds from Debt Issuance	-	57,000	83,900	26,900
Transfers In	97,800	97,800	97,845	45
Transfers (Out)	(26,500)	(26,500)	-	26,500
TOTAL OTHER FINANCING SOURCES (USES)	71,300	128,300	181,745	53,445
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	124,595	\$ 124,595
FUND BALANCES, JANUARY 1			422,935	
FUND BALANCES, DECEMBER 31			\$ 547,530	

**Village of Newberry, Michigan**

**Required Supplementary Information  
Budgetary Comparison Schedule  
Fire Operating Fund  
Year Ended December 31, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget (Over) Under
	Original	Final		
<b>REVENUES</b>				
State	\$ 18,400	\$ 18,400	\$ 18,400	\$ -
Local Sources	54,932	54,932	81,374	26,442
Charges for Services	31,300	31,300	37,080	5,780
Interest and Rentals	702	702	757	55
Refunds, Reimbursements	1,600	1,600	1,611	11
<b>TOTAL REVENUES</b>	<b>106,934</b>	<b>106,934</b>	<b>139,222</b>	<b>32,288</b>
<b>EXPENDITURES</b>				
Public Safety	134,400	134,400	131,775	2,625
Capital Outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>134,400</b>	<b>134,400</b>	<b>131,775</b>	<b>2,625</b>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	<b>(27,466)</b>	<b>(27,466)</b>	<b>7,447</b>	<b>34,913</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	27,466	27,466	40,687	13,221
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>27,466</b>	<b>27,466</b>	<b>40,687</b>	<b>13,221</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>48,134</b>	<b>\$ 48,134</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>			<b>113,243</b>	
<b>FUND BALANCES, END OF YEAR</b>			<b>\$ 161,377</b>	

## **Other Information**

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**Village of Newberry, Michigan**

**Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2012**

	Special Revenue Funds				Capital Project Funds			Total
	Major Streets	Local Streets	Fire Capital	Fire Millage	TORC	Downtown Development	Historical Society Renovation	
<b>ASSETS:</b>								
Cash & Equivalents - Unrestricted	\$ 105,184	\$ 20,554	\$ 17,970	\$ 21,024	\$ 100,000	\$ 6	\$ -	\$ 264,738
Taxes Receivable	-	8,682	-	3,861	-	-	-	12,543
Due From Other Funds	-	54,013	8,379	-	-	-	-	62,392
Due From Other Governmental Units	13,967	5,579	-	-	112,234	10,012	-	141,792
<b>TOTAL ASSETS</b>	<b>\$ 119,151</b>	<b>\$ 88,828</b>	<b>\$ 26,349</b>	<b>\$ 24,885</b>	<b>\$ 212,234</b>	<b>\$ 10,018</b>	<b>\$ -</b>	<b>\$ 481,465</b>
<b>LIABILITIES:</b>								
Due to Other Funds	\$ 78,638	\$ 85,831	\$ 4,000	\$ 20,419	\$ -	\$ 31,574	\$ -	220,462
Accounts Payable	358	922	-	-	112,234	10,012	-	123,526
<b>TOTAL LIABILITIES</b>	<b>78,996</b>	<b>86,753</b>	<b>4,000</b>	<b>20,419</b>	<b>112,234</b>	<b>41,586</b>	<b>-</b>	<b>343,988</b>
<b>FUND BALANCE:</b>								
Restricted	40,155	2,075	22,349	4,466	100,000	(31,568)	-	137,477
<b>TOTAL FUND BALANCE</b>	<b>40,155</b>	<b>2,075</b>	<b>22,349</b>	<b>4,466</b>	<b>100,000</b>	<b>(31,568)</b>	<b>-</b>	<b>137,477</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 119,151</b>	<b>\$ 88,828</b>	<b>\$ 26,349</b>	<b>\$ 24,885</b>	<b>\$ 212,234</b>	<b>\$ 10,018</b>	<b>\$ -</b>	<b>\$ 481,465</b>

**Village of Newberry, Michigan**

**Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Nonmajor Governmental Funds  
Year Ended December 31, 2012**

	Special Revenue Funds				Capital Project Funds			Total
	Major Streets	Local Streets	Fire Capital	Fire Millage	TORC	Downtown Development	Historical Society Renovation	
<b>REVENUES</b>								
Taxes	\$ -	\$ 76,728	\$ -	\$ 34,098	\$ -	\$ -	\$ -	\$ 110,826
State Sources	97,268	67,569	-	-	112,234	10,012	-	287,083
Local Sources	-	9,983	27,979	-	100,000	-	-	137,962
Interest and Rentals	-	-	120	344	-	-	-	464
<b>TOTAL REVENUES</b>	<b>97,268</b>	<b>154,280</b>	<b>28,099</b>	<b>34,442</b>	<b>212,234</b>	<b>10,012</b>	<b>-</b>	<b>536,335</b>
<b>EXPENDITURES</b>								
General Government	-	-	-	-	112,234	-	300	112,534
Public Works	71,684	170,818	27,969	-	-	42,921	-	313,392
Debt Service	-	-	20,455	-	-	-	-	20,455
<b>TOTAL EXPENDITURES</b>	<b>71,684</b>	<b>170,818</b>	<b>48,424</b>	<b>-</b>	<b>112,234</b>	<b>42,921</b>	<b>300</b>	<b>446,381</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>25,584</b>	<b>(16,538)</b>	<b>(20,325)</b>	<b>34,442</b>	<b>100,000</b>	<b>(32,909)</b>	<b>(300)</b>	<b>89,954</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In	-	16,500	20,445	-	-	-	-	36,945
Transfers (Out)	(16,500)	-	-	(61,132)	-	-	-	(77,632)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(16,500)</b>	<b>16,500</b>	<b>20,445</b>	<b>(61,132)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(40,687)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>9,084</b>	<b>(38)</b>	<b>120</b>	<b>(26,690)</b>	<b>100,000</b>	<b>(32,909)</b>	<b>(300)</b>	<b>49,267</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>31,071</b>	<b>2,113</b>	<b>22,229</b>	<b>31,156</b>	<b>-</b>	<b>1,341</b>	<b>300</b>	<b>88,210</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 40,155</b>	<b>\$ 2,075</b>	<b>\$ 22,349</b>	<b>\$ 4,466</b>	<b>\$ 100,000</b>	<b>\$ (31,568)</b>	<b>\$ -</b>	<b>\$ 137,477</b>

# **Report on Compliance**

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**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  
AMBER N. MACK, CPA, EA

**MEMBER AICPA  
DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN  
MICHIGAN & WISCONSIN**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Newberry, Michigan as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Village of Newberry, Michigan's basic financial statements and have issued our report thereon dated June 14, 2013.

**Internal Control Over Financial Reporting**

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

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

Honorable President and Members  
of the Village Council

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies listed as 12-1 and 12-2.

### **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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 12-2.

### **Village of Newberry, Michigan's Response to Findings**

The Village of Newberry, Michigan's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Village of Newberry, Michigan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



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

June 14, 2013

**Internal Control Over Financial Reporting**

*Significant Deficiency*

**Segregation of Duties**

***Finding 12-1***

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.

**Compliance and Other Matters**

*Significant Deficiency and Noncompliance with State Statutes*

**Deficit Fund Balance**

*Finding 12-2*

Condition/Criteria: Public Act 275 requires that a deficit reduction plan be submitted to the State of Michigan within (90) days of the end of the fiscal year. As of December 31, the Village had accumulated fund balance deficits. (See Note 18).

Effect: The Village is not in compliance with Public Act 275.

Cause of Condition: Failure to implement a deficit reduction plan when required.

Recommendation: We recommend that the individual responsible for general ledger maintenance review the general ledger on a monthly basis to determine if any funds have a deficit fund balance and to implement a deficit reduction plan when required.

Plan Corrective Action: Management will review the deficit and prepare an appropriate deficit elimination immediately.

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



**ANDERSON, TACKMAN & COMPANY, PLC**  
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**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Newberry, Michigan, for the year ended December 31, 2012, and have issued our report thereon dated June 14, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted accounting standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

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

As stated in our engagement letter dated April 15, 2013, 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.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as whole.

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 dated May 28, 2013.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Newberry are described in Note 1 to the financial statements. Two new accounting policies were adopted regarding the implementation of GASB Statements 62 and 63 and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions that have been recognized in the financial statements in the proper period.

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

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the 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 \$20,007.
- Management's estimate of the Annual Required Contribution for OPEB Obligations was based on various assumptions regarding life expectancies, inflation, premium increases, and investment rates.

The financial statement disclosures are neutral, consistent and clear.

### **Difficulties Encountered in Performing the Audit**

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

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. A copy of any adjustments are available from management.

### **Disagreement with Management**

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

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated June 14, 2013.

### **Management Consultations with Other Independent Accountants**

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

### **Other Audit Findings or Issues**

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

### **Comments and Recommendations**

#### **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.

Status: Unchanged.

### **Stale Checks (Prior Year)**

While testing cash we noted several old checks that were still issued as outstanding on the bank reconciliation. We recommend that all “stale” checks be properly escheated to the State if applicable to help keep cash balances accurate.

Status: Corrected.

### **Payroll (Prior Year)**

During the test of controls of the Payroll system one exception was noted. Several employee timecards were not complete. We recommend that every timecard be reviewed and reconciled before payroll is processed.

Status: Corrected.

### **Disbursements (Prior Year)**

It was noted during the tests of controls over the disbursements system that two checks’ amounts did not match the amounts in the check register. This was due to a software error within the new software system and has since been corrected. We recommend that each check be listed in the check register with correct payee, check number, date and amount.

Status: Corrected.

### **Accrued payroll & Compensated Absences**

The Village does not currently include the employer portion of FICA taxes as part of the accrued payroll or compensated absences calculation. In order to include the full amount of the liability/cost, the Village should include this as part of the calculation.

### **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**  
**Kincheloe, Michigan**