

# **Village of New Haven, Michigan**

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**Financial Report  
with Supplemental Information  
March 31, 2010**

# Village of New Haven, Michigan

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# Village of New Haven, Michigan

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## INDEPENDENT AUDITORS' REPORT

To the Members of the Village Council  
Village of New Haven, Michigan

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of New Haven, Michigan (the "Village") as of and for the year ended March 31, 2010, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 4, the capital assets recorded by the Village for their governmental activities do not include any assets acquired before March 31, 2005. Had such assets been recorded, the capital assets and fund equity would have been increased from the amounts reported in the basic financial statements and depreciation expense would have been increased.

In our opinion, except for the effects, if any, of not maintaining a complete record of general fixed assets for the governmental activities as described above, 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 New Haven, Michigan as of March 31, 2010 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Independent Auditors' Report  
(Continued)**

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Alan C. Young; Assoc.*

September 30, 2010

# **Village of New Haven, Michigan**

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

Our discussion and analysis of the Village of New Haven, Michigan's (the "Village") financial performance provides an overview of the Village's financial activities for the fiscal year ended March 31, 2010. Please read it in conjunction with the Village's financial statements.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2010:

- Total net assets increased \$1,982,861 as a result of this year's operations. Net assets of the governmental activities increased \$251,599 while business-type activities increased by \$1,731,262.
- The General Fund decreased fund balance by \$32,721 to \$1,746,760 at year end. The decrease is primarily a result of having to subsidize the building fund by approximately \$44,000.
- The Water Fund received a loan from the State of Michigan under the Clean Water Revolving Loan program and received a federal grant that subsidize approximately \$2.4 million of the loan.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements by providing information about the Village's most significant funds. The fiduciary fund statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside of the government.

# Village of New Haven, Michigan

## Management's Discussion and Analysis (Continued)

### The Village of New Haven as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2010 and 2009:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Assets</b>						
Current assets	\$ 5,060,568	\$ 4,807,027	\$ 2,130,986	\$ 1,782,394	\$ 7,191,554	\$ 6,589,421
Noncurrent assets	441,168	611,224	7,795,648	5,483,464	8,236,816	6,094,688
Total assets	5,501,736	5,418,251	9,926,634	7,265,858	15,428,370	12,684,109
<b>Liabilities</b>						
Current liabilities	258,168	399,588	1,150,302	199,461	1,408,470	599,049
Long-term liabilities	35,107	61,801	2,787,333	2,808,660	2,822,440	2,870,461
Total liabilities	293,275	461,389	3,937,635	3,008,121	4,230,910	3,469,510
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	407,907	547,452	4,877,328	2,621,528	5,285,235	3,168,980
Restricted	1,950,142	1,907,870	278,641	653,408	2,228,783	2,561,278
Unrestricted	2,850,412	2,501,540	833,030	982,801	3,683,442	3,484,341
Total net assets	<b>\$ 5,208,461</b>	<b>\$ 4,956,862</b>	<b>\$ 5,988,999</b>	<b>\$ 4,257,737</b>	<b>\$ 11,197,460</b>	<b>\$ 9,214,599</b>

The Village's combined net assets totaled \$11,197,460. As we look at the governmental activities separately from the business-type activities, we can see that the current level of unrestricted net assets for our governmental activities is approximately \$2.8 million. The unrestricted net assets for the business-type activities are approximately \$833,000.

# Village of New Haven, Michigan

## Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the year and as compared to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 283,941	\$ 324,292	\$ 1,100,811	\$ 869,756	\$ 1,384,752	\$ 1,194,048
Operating grants	242,943	390,236	-	-	242,943	390,236
Capital grants	-	-	2,448,768	-	2,448,768	
General revenue:						
Property taxes	1,890,400	1,765,942	-	-	1,890,400	1,765,942
State-shared revenue	320,536	317,355	-	-	320,536	317,355
Unrestricted Investment earnings	34,802	185,164	11,286	11,286	46,088	196,450
Cable, franchise, and right-of-way fees	37,051	33,449	-	-	37,051	33,449
Total revenue	2,809,673	3,016,438	3,560,865	881,042	6,370,538	3,897,480
<b>Program Expenses</b>						
General government	897,787	972,101	-	-	897,787	972,101
Public safety	1,301,064	1,190,803	-	-	1,301,064	1,190,803
Public works	287,838	288,023	-	-	287,838	288,023
Recreation and cultural	71,243	70,815	-	-	71,243	70,815
Interest on long-term debt	141	1,487	-	-	141	1,487
Water and sewer	-	-	1,759,459	1,914,670	1,759,459	1,914,670
Building	-	-	70,145	77,821	70,145	77,821
Total program expenses	2,558,073	2,523,229	1,829,604	1,992,491	4,387,677	4,515,720
<b>Change in Net Assets</b>	<b>\$ 251,600</b>	<b>\$ 493,209</b>	<b>\$ 1,731,261</b>	<b>\$ (1,111,449)</b>	<b>\$ 1,982,861</b>	<b>\$ (618,240)</b>

### Governmental Activities

The Village's total governmental revenue decreased from \$3,016,438 in 2009 to \$2,809,673 in 2010 mainly due to a decrease in interest earnings.

The Village's total governmental expenses stayed consistent from 2009.

### Business-type Activities

The Village's business-type activities consist of the Water, Sewer, and Building Funds. Of the Village's charges for services revenue, the majority is generated from charges passed on to residents which totaled approximately \$1.1 million in 2010. The charges for services are offset by water, sewer, and building expenses of approximately \$1.7 million. After operating grants and interest earnings, the business activities had a net increase in net assets of \$1,731,261.



# Village of New Haven, Michigan

## Management's Discussion and Analysis (Continued)

### The Village of New Haven's Funds

Our analysis of the Village's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Village of New Haven 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 bond projects. The Village has five major funds in 2010, which are the General Fund, Municipal Street Fund, Fire Fund, Major Street Fund, and Local Street Fund.

The General Fund pays for most of the Village's governmental services. The most significant are police and fire, which incurred expenditures of approximately \$945,000, and general government, which incurred expenditures of approximately \$768,000 in 2010.

### General Fund Budgetary Highlights

Over the course of the year, the Village amended the budget to take into account events during the year. Overall, the General Fund's revenue budget was increased during the year by a net amount of approximately \$226,000. Actual revenue was less than the final budget by approximately \$369,000. The largest unfavorable variance was a budgeted transfer from the Municipal Street Fund to the General Fund in the amount of \$365,750 that was not made.

The Village's expenditure budget was decreased \$9,169 by amendments during the year. The Village's total expenditures were \$1,848,669, approximately \$75,000 more than the amended budget.

### Capital Asset and Debt Administration

The Village's investment in capital assets for its governmental and business-type activities as of March 31, 2010 amounted to \$8,236,816 (net of accumulated depreciation). This investment in capital assets includes land, vehicles and equipment, and infrastructure.

At the end of the current fiscal year, the Village had bonded debt outstanding of \$2,951,581. Debt consists of general obligation bonds which are backed by the full faith and credit of the Village as well as capital leases.

	Governmental Activities	Business-type Activities	Total
Long-term debt	\$ 33,261	\$ 2,918,320	\$ 2,951,581

Additional information concerning the Village's long-term debt can be found in the notes to the financial statements.

# **Village of New Haven, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **Economic Factors and Next Year's Budgets**

Like most other communities in Michigan, particularly southeastern Michigan, the Village continues to struggle with providing necessary services with limited revenue. For the fiscal year ended March 31, 2010, the possibility of continuing reductions to the statutory portion of state revenue sharing continues to be a concern. State-shared gas and oil tax distributions that are used for road maintenance and construction also continue to trend downward. The Village and its residents are suffering from the effects of a slowdown in the housing market, which currently leaves several projects incomplete and as eyesores on the landscape of the community. There are record numbers of foreclosures in the community. These factors were taken into consideration of next year's budget.

Also considered in the preparation of next year's budget are contractual wage decreases (currently being negotiated), an increase in pension contributions, and rising healthcare costs.

### **Contacting the Village's Management**

This financial report is intended to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances, and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, contact the Village clerk's office, 57775 Main Street, New Haven, MI 48048.

# Village of New Haven, Michigan

## Statement of Net Assets March 31, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 4,265,275	\$ 869,460	\$ 5,134,735
Investments (Note 3)	512,897	-	512,897
Receivables - Net:			
Taxes	16,132	-	16,132
Customers	-	447,609	447,609
Due from other governmental units	32,543	653,671	686,214
Other	52,154	10,261	62,415
Internal balances (Note 5)	128,656	(128,656)	-
Restricted assets (Note 1)	52,911	278,641	331,552
Capital assets (Note 4):			
Nondepreciable capital assets	37,907	2,031,699	2,069,606
Depreciable capital assets - Net	403,261	5,763,949	6,167,210
Total assets	5,501,736	9,926,634	15,428,370
<b>Liabilities</b>			
Accounts payable	52,786	913,764	966,550
Accrued and other liabilities	94,051	95,866	189,917
Noncurrent liabilities:			
Due within one year (Note 7)	31,892	86,529	118,421
Due in more than one year (Note 7)	1,369	2,831,791	2,833,160
Current portion of compensated absences (Note 7)	79,439	5,179	84,618
Long-term portion of compensated absences (Note 7)	33,738	4,506	38,244
Total liabilities	293,275	3,937,635	4,230,910
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	407,907	4,877,328	5,285,235
Restricted:			
Fire	365,573	-	365,573
Streets	1,533,133	-	1,533,133
Cemetery - Nonexpendable	40,980	-	40,980
Drug forfeiture	10,456	-	10,456
Sewer repair and replacement	-	278,641	278,641
Unrestricted	2,850,412	833,030	3,683,442
Total net assets	<u>\$ 5,208,461</u>	<u>\$ 5,988,999</u>	<u>\$ 11,197,460</u>

# Village of New Haven, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 897,787	\$ 243,866	\$ 64,360	\$ -
Public safety	1,301,064	27,493	-	-
Public works	287,838	12,582	178,583	-
Recreation and culture	71,243	-	-	-
Interest on long-term debt	141	-	-	-
Total governmental activities	2,558,073	283,941	242,943	-
Business-type activities:				
Water and sewer	1,759,459	1,052,442	-	2,448,768
Building	70,145	48,369	-	-
Total business-type activities	1,829,604	1,100,811	-	2,448,768
Total primary government	<u>\$ 4,387,677</u>	<u>\$ 1,384,752</u>	<u>\$ 242,943</u>	<u>\$ 2,448,768</u>
General revenue:				
Property taxes				
State sources				
Cable, franchise, and right-of-way fees				
Investment income				
Total general revenue				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				

**Statement of Activities**  
**Year Ended March 31, 2010**

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (589,561)	\$ -	\$ (589,561)
(1,273,571)	-	(1,273,571)
(96,673)	-	(96,673)
(71,243)	-	(71,243)
(141)	-	(141)
(2,031,189)	-	(2,031,189)
-	1,741,751	1,741,751
-	(21,776)	(21,776)
-	1,719,975	1,719,975
(2,031,189)	1,719,975	(311,214)
1,890,400	-	1,890,400
320,536	-	320,536
37,051	-	37,051
34,802	11,286	46,088
2,282,789	11,286	2,294,075
251,600	1,731,261	1,982,861
4,956,861	4,257,738	9,214,599
<b>\$ 5,208,461</b>	<b>\$ 5,988,999</b>	<b>\$ 11,197,460</b>

# Village of New Haven, Michigan

## Governmental Funds Balance Sheet March 31, 2010

	Major Special Revenue Funds					Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Municipal Street Fund	Fire Fund	Major Street Fund	Local Street Fund		
<b>Assets</b>							
Cash and cash equivalents	\$ 1,194,084	\$ 1,113,853	\$ 387,982	\$ 902,326	\$ 599,741	\$ 67,289	\$ 4,265,275
Investments	512,897	-	-	-	-	-	512,897
Receivables:							
Taxes	11,131	4,517	-	-	-	484	16,132
Other	52,154	-	-	-	-	-	52,154
Due from other governmental units	-	-	-	22,215	10,328	-	32,543
Due from other funds (Note 5)	11,931	-	-	-	-	-	11,931
Advance to other funds	128,656	-	-	-	-	-	128,656
Restricted assets (Note 1)	-	-	-	-	-	52,911	52,911
<b>Total assets</b>	<b>\$ 1,910,853</b>	<b>\$ 1,118,370</b>	<b>\$ 387,982</b>	<b>\$ 924,541</b>	<b>\$ 610,069</b>	<b>\$ 120,684</b>	<b>\$ 5,072,499</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 38,526	\$ 6,063	\$ 6,720	\$ 319	\$ 1,158	\$ -	\$ 52,786
Due to other funds (Note 5)	-	-	-	-	-	11,931	11,931
Accrued and other liabilities	77,699	-	15,689	-	-	-	93,388
Deferred revenue (Note 6)	47,868	4,517	1,032	-	-	484	53,901
<b>Total liabilities</b>	<b>164,093</b>	<b>10,580</b>	<b>23,441</b>	<b>319</b>	<b>1,158</b>	<b>12,415</b>	<b>212,006</b>
<b>Fund Balances</b>							
Reserved for:							
Cemetery Perpetual Care	-	-	-	-	-	40,980	40,980
Long-term advance receivable	128,656	-	-	-	-	-	128,656
Unreserved, reported in:							
General Fund	1,618,104	-	-	-	-	-	1,618,104
Special Revenue Funds	-	1,107,790	364,541	924,222	608,911	67,289	3,072,753
<b>Total fund balances</b>	<b>1,746,760</b>	<b>1,107,790</b>	<b>364,541</b>	<b>924,222</b>	<b>608,911</b>	<b>108,269</b>	<b>4,860,493</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,910,853</b>	<b>\$ 1,118,370</b>	<b>\$ 387,982</b>	<b>\$ 924,541</b>	<b>\$ 610,069</b>	<b>\$ 120,684</b>	<b>\$ 5,072,499</b>

# Village of New Haven, Michigan

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## **Governmental Funds Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities March 31, 2010**

<b>Total Fund Balances of Governmental Funds</b>	\$ 4,860,493
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	441,168
Compensated absences are not due and payable in the current period and are not reported in the funds	(113,177)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(33,261)
Amounts earned during the year but not received within 60 days after year end are not reported in the funds	53,901
Accrued interest is not recorded in the funds	<u>(663)</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 5,208,461</u></b>

# Village of New Haven, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2010

	Major Special Revenue Funds					Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Municipal Street Fund	Fire Fund	Major Street Fund	Local Street Fund		
<b>Revenue</b>							
Property taxes	\$ 1,102,170	\$ 419,223	\$ 325,329	\$ -	\$ -	\$ 39,978	\$ 1,886,700
Federal sources	55,400	-	-	-	-	-	55,400
State sources	329,496	-	-	121,905	56,678	-	508,079
Charges for services	-	-	-	-	-	16,282	16,282
Licenses and permits	37,051	-	-	-	-	-	37,051
Fines and forfeitures	20,661	-	-	-	-	1,000	21,661
Rental income	217,638	-	-	-	-	-	217,638
Interest income	11,074	7,671	2,928	7,400	5,090	639	34,802
Other	42,458	-	-	-	-	-	42,458
<b>Total revenue</b>	<b>1,815,948</b>	<b>426,894</b>	<b>328,257</b>	<b>129,305</b>	<b>61,768</b>	<b>57,899</b>	<b>2,820,071</b>
<b>Expenditures</b>							
General government	767,917	-	-	-	-	-	767,917
Public safety	944,539	-	249,296	-	-	14,371	1,208,206
Public works	21,375	41,151	-	120,635	63,789	40,888	287,838
Recreation and culture	71,243	-	-	-	-	-	71,243
Debt service	-	-	31,285	-	-	-	31,285
<b>Total expenditures</b>	<b>1,805,074</b>	<b>41,151</b>	<b>280,581</b>	<b>120,635</b>	<b>63,789</b>	<b>55,259</b>	<b>2,366,489</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>10,874</b>	<b>385,743</b>	<b>47,676</b>	<b>8,670</b>	<b>(2,021)</b>	<b>2,640</b>	<b>453,582</b>
<b>Other Financing Sources (Uses)</b>							
Operating transfers in (Note 5)	-	-	-	-	-	196	196
Operating transfers out (Note 5)	(43,595)	-	-	-	-	(196)	(43,791)
<b>Total other financing sources (uses)</b>	<b>(43,595)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(43,595)</b>
<b>Net Change in Fund Balances</b>	<b>(32,721)</b>	<b>385,743</b>	<b>47,676</b>	<b>8,670</b>	<b>(2,021)</b>	<b>2,640</b>	<b>409,987</b>
<b>Fund Balances - Beginning of year</b>	<b>1,779,481</b>	<b>722,047</b>	<b>316,865</b>	<b>915,552</b>	<b>610,932</b>	<b>105,629</b>	<b>4,450,506</b>
<b>Fund Balances - End of year</b>	<b>\$ 1,746,760</b>	<b>\$ 1,107,790</b>	<b>\$ 364,541</b>	<b>\$ 924,222</b>	<b>\$ 608,911</b>	<b>\$ 108,269</b>	<b>\$ 4,860,493</b>



# Village of New Haven, Michigan

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2010**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 409,987</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	51,132
Depreciation on capital assets reported as part of governmental activities	(221,188)
Repayment of capital leases is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	30,511
Interest expense is recorded when incurred in the statement of activities	635
Revenue earned during the year but not received with 60 days after year end is not reported in the funds	(10,399)
Increase in accumulated employee sick and vacation pay is recorded when paid in the governmental funds	<u>(9,078)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 251,600</u></b>

# Village of New Haven, Michigan

## Proprietary Fund Enterprise Funds Statement of Net Assets March 31, 2010

	Major Enterprise Funds			Total Enterprise Funds
	Water Fund	Sewer Fund	Nonmajor - Building Fund	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 793,503	\$ -	\$ 75,957	\$ 869,460
Accounts receivable - Customers	143,443	303,743	423	447,609
Due from other governmental units	653,671	-	-	653,671
Other assets	-	10,261	-	10,261
Total current assets	1,590,617	314,004	76,380	1,981,001
Noncurrent assets:				
Advances to other funds	-	1,120,550	-	1,120,550
Restricted assets (Note 1)	-	278,641	-	278,641
Capital assets - Net (Note 4):				
Nondepreciable capital assets	2,031,699	-	-	2,031,699
Depreciable capital assets	1,697,178	4,066,771	-	5,763,949
Total noncurrent assets	3,728,877	5,465,962	-	9,194,839
Total assets	5,319,494	5,779,966	76,380	11,175,840
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	848,634	64,019	1,111	913,764
Accrued and other liabilities (Note 7)	15,107	15,175	75,269	105,551
Current portion of long-term liabilities (Note 7)	-	86,529	-	86,529
Total current liabilities	863,741	165,723	76,380	1,105,844
Noncurrent liabilities:				
Advance from other funds	1,249,206	-	-	1,249,206
Long-term liabilities - Net of current portion (Note 7)	78,345	2,753,446	-	2,831,791
Total noncurrent liabilities	1,327,551	2,753,446	-	4,080,997
Total liabilities	2,191,292	2,919,169	76,380	5,186,841
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	3,728,877	1,226,796	-	4,955,673
Restricted for repairs and replacement of sewer systems (Note 1)	-	278,641	-	278,641
Unrestricted	(600,675)	1,355,360	-	754,685
Total net assets	<b>\$ 3,128,202</b>	<b>\$ 2,860,797</b>	<b>\$ -</b>	<b>\$ 5,988,999</b>

# Village of New Haven, Michigan

## Proprietary Fund Enterprise Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2010

	Major Enterprise Funds			Total Enterprise Funds
	Water Fund	Sewer Fund	Nonmajor - Building Fund	
<b>Operating Revenue</b>				
Charges for services	\$ 355,301	\$ 697,141	\$ -	\$ 1,052,442
Licenses and permits	-	-	4,774	4,774
Total operating revenue	355,301	697,141	4,774	1,057,216
<b>Operating Expenses</b>				
Operation and maintenance	383,418	593,162	-	976,580
General and administrative costs	351,878	135,181	-	487,059
Building inspection	-	-	70,145	70,145
Depreciation	66,308	102,758	-	169,066
Total operating expenses	801,604	831,101	70,145	1,702,850
<b>Operating Loss</b>	(446,303)	(133,960)	(65,371)	(645,634)
<b>Nonoperating Income (Expenses)</b>				
Interest income	-	12,931	401	13,332
Interest expense	(2,046)	(126,753)	-	(128,799)
Total nonoperating expense	(2,046)	(113,822)	401	(115,467)
<b>Income (Loss) - Before contributions</b>	(448,349)	(247,782)	(64,970)	(761,101)
<b>Capital Contributions - Federal proceeds</b>	2,448,768	-	-	2,448,768
<b>Operating Transfers In (Note 5)</b>	-	-	43,595	43,595
<b>Change in Net Assets</b>	2,000,419	(247,782)	(21,375)	1,731,262
<b>Net Assets - Beginning of year</b>	1,127,783	3,108,579	21,375	4,257,737
<b>Net Assets - End of year</b>	<u>\$ 3,128,202</u>	<u>\$ 2,860,797</u>	<u>\$ -</u>	<u>\$ 5,988,999</u>

# Village of New Haven, Michigan

## Proprietary Fund Enterprise Funds Statement of Cash Flows Year Ended March 31, 2010

	Major Enterprise Funds			Total Enterprise Funds
	Water Fund	Sewer Fund	Nonmajor - Building Fund	
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 325,502	\$ 593,102	\$ 4,351	\$ 922,955
Payments to suppliers	186,692	(635,534)	(18,035)	(466,877)
Payments to employees	(92,831)	(96,683)	24,270	(165,244)
Net cash provided by (used in) operating activities	419,363	(139,115)	10,586	290,834
<b>Cash Flows from Noncapital Financing Activities -</b>				
Net transfers from other funds	1,249,206	(1,120,550)	43,595	172,251
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from federal sources	793,503	-	-	793,503
Proceeds from long-term debt	78,345	-	-	78,345
Principal and interest paid on long-term debt	-	(275,116)	-	(275,116)
Purchase of capital assets	(1,744,868)	(26,980)	-	(1,771,848)
Net cash used in capital and related financing activities	(873,020)	(302,096)	-	(1,175,116)
<b>Cash Flows from Investing Activities - Investment income</b>	(2,046)	12,931	401	11,286
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	793,503	(1,548,830)	54,582	(700,745)
<b>Cash and Cash Equivalents - April 1, 2009</b>	-	1,548,830	21,375	1,570,205
<b>Cash and Cash Equivalents - March 31, 2010</b>	<u>\$ 793,503</u>	<u>\$ -</u>	<u>\$ 75,957</u>	<u>\$ 869,460</u>

# Village of New Haven, Michigan

## Proprietary Fund Enterprise Funds Statement of Cash Flows (Continued) Year Ended March 31, 2010

	Major Enterprise Funds			
	Water Fund	Sewer Fund	Nonmajor - Building Fund	Total Enterprise Funds
	<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>			
Operating loss	\$ (446,303)	\$ (133,960)	\$ (65,371)	\$ (645,634)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation	66,308	102,758	-	169,066
Changes in assets and liabilities:				
Receivables	(29,799)	(104,039)	(423)	(134,261)
Prepaid assets	-	28,533	-	28,533
Accounts payable	815,692	(11,094)	1,111	805,709
Accrued and other liabilities	13,465	(21,313)	75,269	67,421
Net cash provided by (used in) operating activities	<b>\$ 419,363</b>	<b>\$ (139,115)</b>	<b>\$ 10,586</b>	<b>\$ 290,834</b>

# Village of New Haven, Michigan

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## Notes to Financial Statements March 31, 2010

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Village of New Haven, Michigan (the "Village") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of New Haven, Michigan:

#### **Reporting Entity**

The Village of New Haven, Michigan operates under an elected seven-member Village Council and a Village president. There are no component units required to be reported within these financial statements.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

# Village of New Haven, Michigan

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## Notes to Financial Statements (Continued) March 31, 2010

### Note I - Summary of Significant Accounting Policies (Continued)

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Village reports the following major governmental funds:

**General Fund** - The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Municipal Street Fund** - The Municipal Street Fund accounts for maintenance, improvement, and street lighting of the Village streets. Expenditures are funded by a separate property tax levy.

**Fire Fund** - The Fire Fund accounts for the Village's fire department expenditures. Expenditures are funded by a separate property tax levy.

**Major Street Fund** - The Major Street Fund accounts for maintenance, improvements, and construction of Village streets. Expenditures are funded by the State and the Village.

# Village of New Haven, Michigan

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## Notes to Financial Statements (Continued) March 31, 2010

### Note I - Summary of Significant Accounting Policies (Continued)

**Local Street Fund** - The Local Street Fund accounts for maintenance, improvements, and construction of Village streets. Expenditures are funded by the State and the Village.

The Village reports the following major proprietary funds:

**Water and Sewer Funds** - The Water and Sewer Funds account for the activities of the water distribution system and sewage collection system. Funding is provided primarily through user charges.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Village has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer function and various other functions of the Village. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When an expense is incurred for a purpose for which both restricted and unrestricted net assets are available, the Village's policy is to first apply restricted resources.



# Village of New Haven, Michigan

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## Notes to Financial Statements (Continued) March 31, 2010

### Note I - Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Village's proprietary funds relates to charges to customers for sales and services. The Water and Sewer Funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### **Property Tax Revenue**

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The 2009 taxable valuation of the Village totaled approximately \$113,252,000, of which 13.75 mills were levied for operating purposes. The Village has elected to split the operating levy into three funds. The General Fund is currently allocated 9.4875 mills, the Municipal Street Improvement Fund is allocated 3.85 mills, and the Cemetery Fund is allocated .4125 mills. This resulted in total revenue of approximately \$1,527,000 for general operations, street improvements, and cemetery purposes. There is an additional voter-approved levy of 3.000 mills for fire operations which is levied on real property only which has a 2009 taxable value of \$106,188,000. This resulted in \$319,000 for fire operations.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market prices.

# Village of New Haven, Michigan

## Notes to Financial Statements (Continued) March 31, 2010

### Note I - Summary of Significant Accounting Policies (Continued)

**Receivables and Payables** - In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that are 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.” All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Restricted Assets** - Village ordinance requires money to be restricted for major repairs or replacements within the sewer system. Restricted assets in the Sewer Fund totaled \$278,641 for the year ended March 31, 2010. In addition, \$52,911 of funds in the Perpetual Care Fund is restricted for maintenance of the Village Cemetery.

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

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

Infrastructure	20 years
Buildings and improvements	20 to 50 years
Machinery, equipment, and vehicles	5 to 10 years
Furniture, fixtures, and equipment	5 to 30 years
Water and sewer distribution systems	20 to 50 years
Water and sewer plant and equipment	20 to 50 years

# Village of New Haven, Michigan

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## Notes to Financial Statements (Continued) March 31, 2010

### Note I - Summary of Significant Accounting Policies (Continued)

**Compensated Absences (Vacation and Sick Leave)** - It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Under the Village's policy, employees earn benefits based on time of service with the Village. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment - generally when an individual's employment has terminated as of year end.

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

# Village of New Haven, Michigan

## Notes to Financial Statements (Continued) March 31, 2010

### Note 2 - Stewardship, Compliance, and Accountability

**Budgetary Information** - The annual budget is prepared by the Village's management and adopted by the Village Council prior to March 31; subsequent amendments are approved by the Village Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2010 has not been calculated. During the current year, the budget was not amended.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds except that transfers in are included as revenue and transfers out as expenditures. The budget document presents information by fund, function, and department line items. The legal level of budgetary control adopted by the governing body is the activity level. A comparison of actual results of operations to the General Fund budget and all major Special Revenue Fund budgets as adopted by the Village Council is included in the required supplemental information. The adopted budget for the nonmajor Special Revenue Funds can be obtained at Village Hall.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the Village of New Haven, Michigan incurred expenditures that were in excess of the amounts budgeted. Significant variances are as follows:

	<u>Final Budget</u>	<u>Actual</u>
Municipal Street Fund - Public works	\$ 35,625	\$ 41,151

The expenditure overrun in the Municipal Street Fund was due to increased expenditures for rent, clerical, and street lighting expenditures.

**Fund Deficits** - The Village has accumulated a deficit of unrestricted net assets in the Water Fund of \$600,675. On August 1, 2010, the Village increased the water consumption rates by 50 percent to offset the accumulated deficit. In addition to the consumption rate increase, the Village also created a new water debt charge specifically to repay the debt service on the new drinking water revolving loan. The Village will be reviewing the rates annually to ensure they are sufficient to eliminate the deficit in the next couple of years.

# Village of New Haven, Michigan

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## Notes to Financial Statements (Continued) March 31, 2010

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. To the extent that cash from various funds has been pooled in an investment vehicle, related investment income is allocated to each fund based on relative participation in the pool, except that Agency Funds investment earnings are allocated to the General Fund.

The Village has designated one bank and one credit union for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Village's deposits and investment policies are in accordance with statutory authority.

The Village's cash and investments are subject to several types of risk, which are examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had bank deposits (certificates of deposit, checking, and savings accounts) totaling \$5,873,536 and of that amount, \$4,646,654 was uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Village evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# Village of New Haven, Michigan

## Notes to Financial Statements (Continued) March 31, 2010

### Note 3 - Deposits and Investments (Continued)

#### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Village's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the Village had no interest rate risk.

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Village has no investment policy that would further limit its investment choices. As of year end, the Village had no credit risk.

#### Concentration of Credit Risk

The Village places no limit on the amount the Village may invest in any one issuer. The Village had no investments greater than 5 percent of its total investments.

### Note 4 - Capital Assets

Capital asset activity of the Village's governmental and business-type activities was as follows:

	Balance April 1, 2009	Additions	Disposals	Balance March 31, 2010
Governmental activities:				
Capital assets not being depreciated - Land	\$ 34,893	\$ 3,014	\$ -	\$ 37,907
Capital assets being depreciated:				
Vehicles	332,548	14,230	-	346,778
Equipment and vehicles	714,201	33,888	-	748,089
Infrastructure	44,288	-	-	44,288
Subtotal	1,091,037	48,118	-	1,139,155
Accumulated depreciation	514,706	221,188	-	735,894
Net capital assets being depreciated	576,331	(173,070)	-	403,261
Net governmental capital assets	\$ 611,224	\$ (170,056)	\$ -	\$ 441,168

Prior to March 31, 2005, the Village had not maintained a record of its general fixed assets. At this time, the Village has elected not to perform an inventory of fixed assets.

# Village of New Haven, Michigan

## Notes to Financial Statements (Continued) March 31, 2010

### Note 4 - Capital Assets (Continued)

In addition, detail of accumulated depreciation by asset type was not available for the fiscal year ended March 31, 2010.

	Balance April 1, 2009	Additions	Disposals	Balance March 31, 2010
Business-type activities:				
Water capital assets:				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 1,998,349	\$ -	\$ 1,998,349
Land	33,350	-	-	33,350
Subtotal	33,350	1,998,349	-	2,031,699
Capital assets being depreciated:				
Wells	86,911	-	-	86,911
Buildings and improvements	101,000	-	-	101,000
Meters	96,989	-	-	96,989
Water mains	2,280,174	-	-	2,280,174
Subtotal	2,565,074	-	-	2,565,074
Accumulated depreciation:				
Wells	86,911	-	-	86,911
Buildings and improvements	101,000	-	-	101,000
Meters	3,011	3,233	-	6,244
Water mains	610,666	63,075	-	673,741
Subtotal	801,588	66,308	-	867,896
Net water capital assets being depreciated	1,763,486	(66,308)	-	1,697,178
Net water capital assets	1,796,836	1,932,041	-	3,728,877
Sewer capital assets:				
Capital assets being depreciated:				
Buildings and improvements	35,782	-	-	35,782
Meters	96,989	-	-	96,989
Purification and disposal equipment	1,142,462	-	-	1,142,462
Sewer mains	3,484,688	356,500	-	3,841,188
Equipment	52,475	125,000	-	177,475
Subtotal	4,812,396	481,500	-	5,293,896
Accumulated depreciation:				
Buildings and improvements	35,782	-	-	35,782
Meters	-	3,233	-	3,233
Purification and disposal equipment	736,065	28,596	-	764,661
Sewer mains	326,720	47,457	-	374,177
Equipment	27,201	22,071	-	49,272
Subtotal	1,125,768	101,357	-	1,227,125
Net sewer capital assets being depreciated	3,686,628	380,143	-	4,066,771
Net business-type activity capital assets	<u>\$ 5,483,464</u>	<u>\$ 2,312,184</u>	<u>\$ -</u>	<u>\$ 7,795,648</u>

# Village of New Haven, Michigan

## Notes to Financial Statements (Continued) March 31, 2010

### Note 4 - Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 92,395
Public safety		<u>128,793</u>
Total governmental activities		<u>\$ 221,188</u>
Business-type activities:		
Water		\$ 66,308
Sewer		<u>101,357</u>
Total business-type activities		<u>\$ 167,665</u>

### Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Nonmajor governmental funds	\$ 11,931
<b>Advances from/to Other Funds</b>		
General Fund	Water Fund	\$ 128,656
Sewer Fund	Water Fund	1,120,550

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Fund Transferred From	Fund Transferred To	Amount
General Fund	Building Fund (1)	\$ 43,595
Nonmajor governmental funds	Nonmajor governmental funds (2)	<u>196</u>
	Total	<u>\$ 43,791</u>

(1) Transfer of funds to help subsidize operations

(2) Transfer of discretionary funds to be used for the benefit of the community



# Village of New Haven, Michigan

## Notes to Financial Statements (Continued) March 31, 2010

### Note 6 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue was as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Revenue received greater than 60 days after year end	\$ 37,769	\$ -	\$ 37,769
Delinquent tax revenue received greater than 60 days after year end	<u>16,132</u>	<u>-</u>	<u>16,132</u>
Total	<u>\$ 53,901</u>	<u>\$ -</u>	<u>\$ 53,901</u>

### Note 7 - Long-term Debt

The Village issues bonds to provide for the acquisition and construction of a new waste water disposal system. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:							
Capital lease obligations:							
Fire truck:							
Amount of issue - \$212,012		\$27,141-					
Maturing through October 2011	5.5%	\$29,837	\$ 58,295	\$ -	\$ (28,457)	\$ 29,838	\$ 29,838
Copier lease:							
Amount of issue - \$9,585		\$2,054					
Maturing 2012	0%		5,477	-	(2,054)	3,423	2,054
Total capital lease obligations			63,772	-	(30,511)	33,261	31,892
Other long-term obligations - Accumulated employee benefits			104,099	9,078	-	113,177	79,439
Total governmental activities			167,871	9,078	(30,511)	146,438	111,331

# Village of New Haven, Michigan

## Notes to Financial Statements (Continued) March 31, 2010

### Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:							
General obligation bonds:							
General Obligation Limited Tax Refunding Bonds:							
Amount of issue - \$1,781,905	3.25% -	\$39,084 -	\$ 1,781,905	\$ -	\$ (78,965)	\$ 1,702,940	\$ 39,882
Maturing through 2034	5.00%	\$95,716					
Less unamortized bond discount			(16,321)	-	1,402	(14,919)	-
General Obligation Limited Tax Refunding Bonds:							
Amount of issue - \$1,112,814	3.75%-	\$16,462 -	1,096,352	-	(41,154)	1,055,198	24,693
Maturing through 2033	4.25%	\$82,309					
Total general obligation bonds			2,861,936	-	(118,717)	2,743,219	64,575
State of Michigan Drinking Water Revolving Loan							
Amount of issue - \$3,177,000		\$122,000 -	-	78,345	-	78,345	-
Maturing through 2030	2.5%	\$200,000					
Total revolving bonds			-	78,345	-	78,345	-
Installment loan - Vector/Sewer Cleaner							
Amount of issue - \$125,000	6.5%	\$28,243 -	-	125,000	(28,244)	96,756	21,954
Maturing through 2013		\$26,520					
Total installment loan			-	125,000	(28,244)	96,756	21,954
Other long-term obligations - Accumulated employee benefits							
			3,284	6,401	-	9,685	5,179
Total business-type activities			2,865,220	209,746	(146,961)	2,928,005	91,708
Total governmental and business-type activities			\$ 3,033,091	\$ 218,824	\$ (177,472)	\$ 3,074,443	\$ 203,039

Annual debt service requirements to maturity for the above governmental bond and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 31,892	\$ 1,447	\$ 33,339	\$ 86,529	\$ 127,149	\$ 213,678
2012	1,369	-	1,369	166,301	125,359	291,660
2013	-	-	-	91,122	119,448	210,570
2014	-	-	-	119,266	115,282	234,548
2015	-	-	-	92,746	109,764	202,510
2016-2020	-	-	-	528,305	487,908	1,016,213
2021-2025	-	-	-	637,509	360,350	997,859
2026-2030	-	-	-	759,699	208,316	968,015
2031-2035	-	-	-	451,762	37,648	489,410
Total	\$ 33,261	\$ 1,447	\$ 34,708	\$ 2,933,239	\$ 1,691,224	\$ 4,624,463

# Village of New Haven, Michigan

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## Notes to Financial Statements (Continued) March 31, 2010

### Note 8 - Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for employee injuries and medical benefit claims and participates in the Michigan Municipal Risk Management Authority (the "Authority") risk pool (as a state pool member) for claims relating to loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

### Note 9 - Defined Contribution Pension Plan

The Village has a defined contribution plan covering all full-time personnel which requires contributions by the Village. The plan is referred to as "The Village of New Haven Retirement Program" and plan assets are maintained by Mass Mutual Life Insurance Company. The Village of New Haven is the plan administrator. The plan was developed under authority of Internal Revenue Code Section 401 and any amendments must comply with current laws and regulations as administered by the Internal Revenue Service.

Total compensation of covered employees and total compensation of all employees for the year ended March 31, 2010 amounted to \$827,886 and \$1,083,924, respectively. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the participants' accounts are to be determined instead of specifying the amount of benefits the individual is to receive. Such benefits depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits prior to vesting. Contributions to the plan are made by the Village based upon 5 percent of the participant's gross wages. Participants may contribute to the plan, at their option, with after-tax dollars.

During the year ended March 31, 2010, the Village contributed \$38,413 to the plan. The Village contributions are net of forfeitures.

# Village of New Haven, Michigan

## Notes to Financial Statements (Continued) March 31, 2010

### Note 10 - Commitments

The Village has committed through Macomb County to participate in a sewer expansion project with various other surrounding communities. The estimated cost to the Village is \$4,500,000. Payment arrangements have not been finalized, but the project is expected to be financed entirely through the issuance of bonds. In addition, the Village has also committed through Macomb County to participate in the maintenance and rehabilitation of the Macomb Interceptor Drain. The estimated cost to the Village is \$180,000.

Effective October 2006, the Village became committed to a lease for its operating facility. The lease, which expires in October 2031, requires monthly base rent of \$16,500 exclusive of taxes, utilities, insurance, maintenance, and repairs. The lease also requires the Village to pay as additional rent each year any property taxes levied on the operating facility. Base rent and additional rent for the year ended March 31, 2010 amounted to \$198,000 and \$79,282, respectively. The Village may exercise an option to purchase the operating facility at any time after October 2008 for \$3,500,000.

Minimum future rental commitments for the operating facility are summarized as follows:

Years Ending March 31	Amount
2011	\$ 198,000
2012	198,000
2013	198,000
2014	198,000
2015	198,000
2016-2020	990,000
2021-2025	990,000
2026-2030	990,000
2031-2032	313,500
Total	<u>\$ 4,273,500</u>

### Note 11 - Subsequent Events

On May 1, 2010, North Gratiot Interceptor Drain Bonds were issued in the amount of \$16,965,000, of which \$3,872,882 is the Village of New Haven's portion.

## **Required Supplemental Information**

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# Village of New Haven, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>Fund Balance - Beginning of year</b>	\$ 1,779,481	\$ 1,779,481	\$ 1,779,481	\$ -
<b>Revenue</b>				
Property taxes	980,926	1,058,879	1,102,170	43,291
Federal sources	123,916	53,900	55,400	1,500
State sources	315,400	296,000	329,496	33,496
Licenses and permits	31,000	32,980	37,051	4,071
Fines and forfeitures	30,000	23,500	20,661	(2,839)
Rental income	294,408	290,210	217,638	(72,572)
Interest income	150,000	45,000	11,074	(33,926)
Transfers in	-	365,750	-	(365,750)
Other	32,539	18,400	42,458	24,058
Total revenue	1,958,189	2,184,619	1,815,948	(368,671)
<b>Expenditures</b>				
General government	968,749	801,160	767,917	33,243
Public safety	874,100	998,000	944,539	53,461
Department of Public Works	19,500	19,500	21,375	(1,875)
Recreation and culture	53,190	75,210	71,243	3,967
Community development	-	29,500	-	29,500
Transfers out	17,000	-	43,595	(43,595)
Total expenditures	1,932,539	1,923,370	1,848,669	74,701
<b>Excess of Revenue Over (Under) Expenditures</b>	25,650	261,249	(32,721)	(293,970)
<b>Fund Balance - End of year</b>	<b><u>\$ 1,805,131</u></b>	<b><u>\$ 2,040,730</u></b>	<b><u>\$ 1,746,760</u></b>	<b><u>\$ (293,970)</u></b>

# Village of New Haven, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund - Fire Fund Year Ended March 31, 2010

	Fire Fund			Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>Fund Balance - Beginning of year</b>	\$ 316,865	\$ 316,865	\$ 316,865	\$ -
<b>Revenue</b>				
Property taxes	280,250	331,500	325,329	(6,171)
Interest income	-	-	2,928	2,928
Other	176,390	-	-	-
Total revenue	456,640	331,500	328,257	(3,243)
<b>Expenditures</b>				
Public safety	424,355	346,205	249,296	96,909
Debt service	32,285	63,570	31,285	32,285
Total expenditures	456,640	409,775	280,581	129,194
<b>Excess of Revenue Over (Under) Expenditures</b>	-	(78,275)	47,676	125,951
<b>Fund Balance - End of year</b>	<b>\$ 316,865</b>	<b>\$ 238,590</b>	<b>\$ 364,541</b>	<b>\$ 125,951</b>

# Village of New Haven, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund - Municipal Street Fund Year Ended March 31, 2010

	Municipal Street Fund			Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>Fund Balance - Beginning of year</b>	\$ 722,047	\$ 722,047	\$ 722,047	\$ -
<b>Revenue</b>				
Property taxes	386,650	420,553	419,223	(1,330)
Interest income	-	-	7,671	7,671
Other	170,818	-	-	-
Total revenue	557,468	420,553	426,894	6,341
<b>Expenditures</b>				
Public works	35,625	35,625	41,151	(5,526)
Transfers out	521,843	365,750	-	365,750
Total expenditures	557,468	401,375	41,151	360,224
<b>Excess of Revenue Over Expenditures</b>	-	19,178	385,743	366,565
<b>Fund Balance - End of year</b>	<b>\$ 722,047</b>	<b>\$ 741,225</b>	<b>\$ 1,107,790</b>	<b>\$ 366,565</b>



# Village of New Haven, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund - Major Street Fund Year Ended March 31, 2010

	Major Street Fund			Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>Fund Balance</b> - Beginning of year	\$ 915,552	\$ 915,552	\$ 915,552	\$ -
<b>Revenue</b>				
State sources	135,600	123,000	121,905	(1,095)
Interest income	-	-	7,400	7,400
Transfers in	<u>239,360</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	374,960	123,000	129,305	6,305
<b>Expenditures</b> - Public works	<u>374,960</u>	<u>149,404</u>	<u>120,635</u>	<u>28,769</u>
<b>Excess of Revenue (Under) Over Expenditures</b>	<u>-</u>	<u>(26,404)</u>	<u>8,670</u>	<u>35,074</u>
<b>Fund Balance</b> - End of year	<u><u>\$ 915,552</u></u>	<u><u>\$ 889,148</u></u>	<u><u>\$ 924,222</u></u>	<u><u>\$ 35,074</u></u>

# Village of New Haven, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund - Local Street Fund Year Ended March 31, 2010

	Local Street Fund			Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>Fund Balance</b> - Beginning of year	\$ 610,932	\$ 610,932	\$ 610,932	\$ -
<b>Revenue</b>				
State sources	52,250	57,400	56,678	(722)
Interest income	-	-	5,090	5,090
Transfers in	<u>282,483</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	334,733	57,400	61,768	4,368
<b>Expenditures</b> - Public works	<u>334,733</u>	<u>76,958</u>	<u>63,789</u>	<u>13,169</u>
<b>Excess of Expenditures Over Revenue</b>	<u>-</u>	<u>(19,558)</u>	<u>(2,021)</u>	<u>17,537</u>
<b>Fund Balance</b> - End of year	<u><u>\$ 610,932</u></u>	<u><u>\$ 591,374</u></u>	<u><u>\$ 608,911</u></u>	<u><u>\$ 17,537</u></u>

## **Other Supplemental Information**

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# Village of New Haven, Michigan

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds March 31, 2010

	Nonmajor Special Revenue Funds		Permanent Fund	Total Nonmajor Governmental Funds
	Cemetery Fund	Drug Law Enforcement Fund	Cemetery Perpetual Care Fund	
<b>Assets</b>				
Cash and cash equivalents	\$ 56,833	\$ 10,456	\$ -	\$ 67,289
Accounts receivable	484	-	-	484
Restricted assets	-	-	52,911	52,911
Total assets	<u>\$ 57,317</u>	<u>\$ 10,456</u>	<u>\$ 52,911</u>	<u>\$ 120,684</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Due to other funds	\$ -	\$ -	\$ 11,931	\$ 11,931
Deferred revenue	484	-	-	484
Total liabilities	484	-	11,931	12,415
<b>Fund Balances</b>				
Reserved for Cemetery Perpetual Care	-	-	40,980	40,980
Unreserved, reported in Special Revenue Funds	56,833	10,456	-	67,289
Total fund balances	<u>56,833</u>	<u>10,456</u>	<u>40,980</u>	<u>108,269</u>
Total liabilities and fund balances	<u>\$ 57,317</u>	<u>\$ 10,456</u>	<u>\$ 52,911</u>	<u>\$ 120,684</u>

# Village of New Haven, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended March 31, 2010

	Nonmajor Special Revenue Funds		Permanent Fund	Total Nonmajor Governmental Funds
	Cemetery Fund	Drug Law Enforcement Fund	Cemetery Perpetual Care Fund	
<b>Revenue</b>				
Property taxes	\$ 39,978	\$ -	\$ -	\$ 39,978
Charges for services	16,282	-	-	16,282
Fines and forfeitures	-	1,000	-	1,000
Investment income	443	-	196	639
Total revenue	56,703	1,000	196	57,899
<b>Expenditures</b>				
Public safety	-	14,371	-	14,371
Public works	40,888	-	-	40,888
Total expenditures	40,888	14,371	-	55,259
<b>Excess of Revenue Over (Under) Expenditures</b>	15,815	(13,371)	196	2,640
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	196	-	-	196
Operating transfers out	-	-	(196)	(196)
Total other financing sources (uses)	196	-	(196)	-
<b>Net Change in Fund Balances</b>	16,011	(13,371)	-	2,640
<b>Fund Balances - Beginning of year</b>	40,822	23,827	40,980	105,629
<b>Fund Balances - End of year</b>	<u>\$ 56,833</u>	<u>\$ 10,456</u>	<u>\$ 40,980</u>	<u>\$ 108,269</u>



# *Alan C. Young & Associates, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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September 30, 2010

To the President and Trustees of the  
Village of New Haven, Michigan

In planning and performing our audit of the financial statements of the Village of New Haven, Michigan (the Village) for the year ended March 31, 2010, we considered the Village's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that have an opportunity for strengthening internal controls and operating efficiency. Exhibit A, that accompanies this letter, summarizes our comments and suggestions regarding those matters. This letter does not affect our report on the financial statements of the Village.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various personnel of the Village, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

Alan C. Young & Associates, P.C.  
Certified Public Accountants

**1. DAILY CASH RECEIPTS**

During our procedures, we noted instances where discrepancies were noted in the initial daily cash counts. At times, when the discrepancies could not be identified, the petty cash account was used to balance the difference. Using petty cash to balance the cash count does not remove the discrepancy and is not a recommended balancing method.

We recommend that the Village discontinue the use of petty cash funds to balance cash account discrepancies. Any unresolved discrepancies should be identified and clearly reported as such. This will help the Village more clearly review and analyze the cash receipt process.

**2. PURCHASE ORDERS**

During our procedures, we noted areas for improvement within the Village's purchase order system. Purchase orders are not created until after the purchase and receipt of the goods/services. As a result, the purchase order is not providing the proper level of internal control over authorization of cash disbursements.

We recommend that the Village create purchase orders in the initial phase of the purchasing process, prior to the actual purchase of goods/services. This will help strengthen the Village's internal control over cash disbursements.

**3. ACCOUNTS PAYABLE**

We noted in our review of accounts payable that the Village's accounts payable subsidiary ledger allow for the entry into the system of duplicate invoice numbers from the same vendor. In addition, although a copy of the check is attached to the invoice, the invoice itself is not marked as "paid". This increases the risk of duplicate payment of invoices.

We recommend the Village contact its software provider to see if a control can be added preventing a duplicate invoice number to be entered. Additionally, we recommend all invoices be stamped as "paid" upon payment. These procedures will help reduce the risk of duplicate payments being inadvertently made.

**4. WATER SYSTEM BONDS**

During the year, the Village issued water supply system revenue bonds. These bonds include a number of requirements and covenants that must be met.

We recommend that the Village fully review the debt requirements and gain a complete understanding of these regulations to help ensure compliance with covenants.

**5. PENSION CONTRIBUTIONS**

The Village is required to contribute 5% of eligible employees' gross wages (with certain restrictions) to the defined contribution pension plan. The required contribution appears on the "cost report", generated each pay period from the Village's payroll system. However, rather than paying the amount per the "cost report", the Village recalculates the amount, and small variances were noted between the amount per the cost report (5% of gross wages) and the amount recalculated and submitted by the Village.

We recommend that the Village make pension contributions based upon the amounts calculated on the cost reports. Any differences between this calculation and the amount actually submitted should be fully documented.





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September 30, 2010

To the President and Trustees of the  
Village of New Haven, Michigan

In planning and performing our audit of the financial statements of The Village of New Haven, Michigan (the Village) as of and for the year ended March 31, 2010 in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and material weaknesses.

*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 significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies identified in Exhibit A to be significant deficiencies in internal control.

*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. We believe that the deficiencies identified in Exhibit A constitute material weaknesses.

This communication is intended solely for the information and use of the President, Trustees and management of the Village and is not intended to be and should not be used by anyone other than these specified parties.

Alan C. Young & Associates, P.C.  
Certified Public Accountants & Consultants

## **1. COUNCIL APPROVAL OF CASH DISBURSEMENTS**

Village policies and procedures require Council approval for all disbursements greater than \$2,500. However, we noted several invoices greater than \$2,500 were paid prior to Council approval. Policies and procedures have minimal value if they are not consistently followed. Requiring Council approval for certain disbursements was determined by the Village to be an important internal control procedure and accordingly should be followed without exception.

We recommend that the Village follow its prescribed procedures for Council approval of disbursements in excess of \$2,500. Obtaining approval after payment has been made serves a limited purpose and should generally be avoided.

## **2. PAYMENT OF INVOICES**

During our procedures, we noted instances where payments were made, although no invoice could be provided, nor was there any evidence that the payment had been properly approved. Proper procedures should be followed for all cash disbursements. Payment should never be made without appropriate supporting documentation, and approval should be obtained for all payments before they are made.

We recommend that the Village follow their policies for cash disbursements. If a policy is ignored or overridden, it has minimal value. In order to maximize the benefit of the prescribed policy and to reduce the risk of misuse of funds, it is extremely important that payments only be made after the supporting documentation has been reviewed and approval has been given by the appropriate individual.

## **3. RECORDING OF FIXED ASSETS AND RELATED DEPRECIATION**

We noted that the Village has not maintained any inventory of its fixed assets. Further, no records have been maintained of its general fixed assets acquired prior to March 31, 2005. As a consequence, the information on the related depreciation is not available or at best is inadequate.

In the absence of adequate information on fixed assets, the Village runs the risk of its assets being pilfered or lost without it knowing about it. The Village may also have no knowledge of the usefulness or obsolescence of its fixed assets.

We recommend that the Village develop a system to have a physical inventory of its fixed assets and try and integrate such information with financial records. We understand the Village is in the process of hiring an appraiser to help address this issue.

## **4. SUBSIDIARY LEDGER RECONCILIATIONS**

During our testing of internal control processes, we noted that reconciliations between the general and the accounts payable subsidiary ledgers were not performed throughout the year. A complete reconciliation was performed at year end, but not throughout the year.

We recommend that a periodic review and reconciliation of all subsidiary ledger accounts be performed throughout the year. This will help identify potential errors on a timely basis, improve the informational value of internally prepared financial information and also improve the overall internal control structure.

**5. SEGREGATION OF DUTIES**

During our procedures, we noted a lack of segregation of duties in the area of property tax billings and collections. We noted instances where the same individual would prepare the property tax bill, collect cash receipts and deposit cash receipts. The same individual also had the authority to process adjustments to the property tax accounts. This is a clear lack of proper segregation of duties and impairs the Village's internal control over cash receipts.

We recommend that the Village better segregate duties related to property taxes. By allowing one individual to have access to all phases of a transaction, the internal control structure is greatly compromised.