

VILLAGE OF NEWBERRY
Luce County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended December 31, 2006

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Newberry	County Luce
Audit Date December 31, 2006	Opinion Date February 24, 2007	Date Accountant Report Submitted to State: March 13, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- yes no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- yes no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- yes no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- yes no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- yes no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- yes no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- yes no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- yes no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- yes no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature <i>Campbell, Kusterer & Co., P.C.</i>			

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Luce County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

February 24, 2007

To the Village Council
Village of Newberry
Luce County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Village of Newberry, Luce County, Michigan as of and for the year ended December 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Newberry's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of the Village of Newberry, Luce County, Michigan as of December 31, 2006, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 24, 2007, on our consideration of the Village of Newberry's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Accounting Standards and should be read in conjunction with this report in considering the results of our audit.

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

To the Village Council
Village of Newberry
Luce County, Michigan

Our audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

VILLAGE OF NEWBERRY
Luce County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2006

This section of the Village of Newberry annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended December 31, 2006. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

As of December 31, 2006, we had a \$40,844.69 deficit fund balance in the General Fund. Net assets at December 31, 2006, totaled \$110,630.63 for governmental activities and \$3,288,952.93 for business-type activities. Of these totals, \$116,107.03 and \$2,503,254.36 respectively, represent capital assets net of depreciation and related debt. Overall, net assets increased by \$355,279.91 from the prior year.

Overall revenues were \$4,289,100.10. Overall expenses were \$3,888,980.78.

We received bond proceeds in the Water Fund in the amount of \$1,415,000.00.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village and the notes to the financial statements.

The first two statements are Village wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Village as a whole using accounting methods used by private companies. The statement of net assets includes all of the Village's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

VILLAGE OF NEWBERRY
Luce County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2006

ENTITY-WIDE FINANCIAL STATEMENTS (continued)

Most of the activities of the Village are reported as governmental activities. These would include the General Fund, Major Street Fund, Local Street Fund, Fire Capital Fund, Fire Operating Fund, Downtown Development Fund, and the Historical Society Fund. Some activities such as the Water Fund, the Electric Fund, the Newberry Sewage Fund, and the Luce County Sewage Fund are treated as business-type activities where the revenues of the activity are designed to pay for the operations of the activity.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Village has the following types of funds:

Governmental Funds: Most of the Village's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental funds include: General, Major Street, Local Street, Fire Capital, Fire Operating, Downtown Development, and the Historical Society Funds.

Proprietary Funds: These funds represent activities in the government, which are basically treated like private sector companies. These funds are designed to have revenues earned adequate to pay for the operations of the activity. These funds are presented on a full accrual method and will show no difference between the Village's government-wide statements and fund statements presentation. The Village's proprietary funds include: Water, Electric, Newberry Sewage and Luce County Sewage Funds.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Net Assets: The Village's combined net assets increased by \$355,279.91 during the year ended December 31, 2006, totaling \$3,399,583.56.

Governmental Activities: The net assets for governmental activities decreased by \$150,804.30.

Business-Type Activities: The net assets for business-type activities increased by \$506,084.21.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

General Fund: This 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.

VILLAGE OF NEWBERRY
Luce County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2006

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS (continued)

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

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

Fire Capital Fund: This is used to record major equipment purchases for the Newberry Fire Department. The major source of revenue comes from appropriations from the General Fund, McMillan Township and Pentland Township.

Fire Operating Fund: This fund is used to record revenues and expenses for the Newberry Fire Department. Fire Operating Fund revenue comes from the General Fund, McMillan Township and Pentland Township.

Downtown Development Fund: This fund is used to record major capital improvement projects.

Newberry Sewage and Luce County Sewage Funds: These 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.

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

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Additions to the Village's governmental fund capital assets for this year totaled \$1,253.39. Projects in process include water system improvements and electric conversion of \$2,279,778.51.

Long-term Debt:

Business-type activities: Bond issue proceeds of \$1,415,000.00 and bond principal payments of \$174,430.00.

Governmental activities: Notes payable on a general obligation bond and plow truck. Total principal payments of \$52,455.11.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Village's plans for the future include street, water and sewer system improvements. The Village is committed to the improvement of the water system and the completion of the electric conversion.

VILLAGE OF NEWBERRY
Luce County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2006

CONTACTING THE VILLAGE'S MANAGEMENT

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

VILLAGE OF NEWBERRY
Luce County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

December 31, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	181 954 10	214 489 94	396 444 04
Petty cash	100 00	50 00	150 00
Accounts receivable	-	440 230 77	440 230 77
Taxes receivable	29 960 08	-	29 960 08
Internal balances	(172 952 14)	172 952 14	-
Due from State of Michigan	61 700 08	-	61 700 08
Inventory	-	120 581 83	120 581 83
Total Current Assets	<u>100 762 12</u>	<u>948 304 68</u>	<u>1 049 066 80</u>
FIXED ASSETS:			
Capital Assets	2 542 794 59	11 523 757 63	14 066 552 22
Less: Accumulated Depreciation	(1 860 148 36)	(4 986 512 50)	(6 846 660 86)
Total Fixed Assets	<u>682 646 23</u>	<u>6 537 245 13</u>	<u>7 219 891 36</u>
OTHER ASSETS:			
Capital credits in cooperative	-	862 862 23	862 862 23
Total Other Assets	<u>-</u>	<u>862 862 23</u>	<u>862 862 23</u>
TOTAL ASSETS	<u>783 408 35</u>	<u>8 348 412 04</u>	<u>9 131 820 39</u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	16 898 86	114 588 40	131 487 26
Due to other units	48 136 15	-	48 136 15
Accrued interest payable	-	4 862 00	4 862 00
Total Current Liabilities	<u>65 035 01</u>	<u>119 450 40</u>	<u>184 485 41</u>
NON-CURRENT LIABILITIES:			
Notes payable	74 539 20	-	74 539 20
Bonds payable	492 000 00	4 896 853 00	5 388 853 00
Accrued compensated absences	41 203 51	43 155 71	84 359 22
Total Non-current Liabilities	<u>607 742 71</u>	<u>4 940 008 71</u>	<u>5 547 751 42</u>
Total Liabilities	<u>672 777 72</u>	<u>5 059 459 11</u>	<u>5 732 236 83</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	116 107 03	2 503 254 36	2 619 361 39
Unrestricted (deficit)	(5 476 40)	785 698 57	780 222 17
Total Net Assets	<u>110 630 63</u>	<u>3 288 952 93</u>	<u>3 399 583 56</u>
TOTAL LIABILITIES AND NET ASSETS	<u>783 408 35</u>	<u>8 348 412 04</u>	<u>9 131 820 39</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF NEWBERRY
Luce County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended December 31, 2006

FUNCTIONS/PROGRAMS	Program Revenue		Governmental Activities Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	
Governmental Activities:			
Legislative	8 813 73	-	(8 813 73)
General government	203 710 30	188 802 22	(14 908 08)
Public safety	358 327 76	65 880 48	(289 454 78)
Public works	450 318 74	114 492 80	(335 825 94)
Recreation	51 751 34	-	(20 851 34)
Other	283 468 63	-	(283 468 63)
Interest on long-term debt	5 061 92	-	(5 061 92)
Total Governmental Activities	<u>1 361 452 42</u>	<u>369 175 50</u>	<u>(9588 384 42)</u>
Business-Type Activities:			
Electric	1 578 839 72	1 586 482 90	-
Water	211 524 63	379 741 46	-
Sewer	<u>782 003 42</u>	<u>730 795 68</u>	<u>-</u>
Total Business-Type Activities	<u>2 572 367 77</u>	<u>2 697 020 04</u>	<u>-</u>
Total Government	<u>3 933 820 19</u>	<u>3 066 195 54</u>	<u>(958 384 42)</u>
General Revenues:			
Property taxes			317 320 54
P.I.L.O.T.			18 000 00
State revenue sharing			414 235 98
Interest			4 361 94
Miscellaneous			<u>53 661 66</u>
Total General Revenues			<u>807 580 12</u>
Change in net assets			(150 804 30)
Net assets, beginning of year			<u>261 434 93</u>
Net Assets, End of Year			<u>110 630 63</u>

The accompanying notes are an integral part of these financial statements.

<u>Business-Type Activities</u>	<u>Total</u>
Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
-	(8 813 73)
-	(14 908 08)
-	(289 454 78)
-	(335 825 94)
-	(20 851 34)
-	(283 468 63)
-	(5 061 92)
<u>-</u>	<u>(958 384 42)</u>
7 643 18	7 643 18
449 470 53	449 470 53
<u>(51 207 74)</u>	<u>(51 207 74)</u>
<u>405 905 97</u>	<u>405 905 97</u>
<u>405 905 97</u>	<u>(552 478 45)</u>
-	317 320 54
-	18 000 00
-	414 235 98
16 478 51	20 840 45
<u>83 699 73</u>	<u>137 361 39</u>
<u>100 178 24</u>	<u>907 758 36</u>
506 084 21	355 279 91
<u>2 782 868 72</u>	<u>3 044 303 65</u>
<u>3 288 952 93</u>	<u>3 399 583 56</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2006

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Fire Operating</u>
<u>Assets</u>				
Cash in bank	214 312 59	35 273 89	(169 188 22)	84 028 32
Petty cash	100 00	-	-	-
Taxes receivable	29 960 08	-	-	-
Due from other funds	161 622 26	24 554 35	168 893 29	-
Due from State of Michigan	<u>41 424 00</u>	<u>14 501 49</u>	<u>5 774 59</u>	<u>-</u>
Total Assets	<u>447 418 93</u>	<u>74 329 73</u>	<u>5 479 66</u>	<u>84 028 32</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	16 015 35	60 00	60 00	763 51
Due to other funds	472 248 27	40 463 96	-	23 688 79
Due to other units	-	-	-	48 136 15
Total liabilities	<u>488 263 62</u>	<u>40 523 96</u>	<u>60 00</u>	<u>72 588 45</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated (deficit)	<u>(40 844 69)</u>	<u>33 805 77</u>	<u>5 419 66</u>	<u>11 439 87</u>
Total fund equity	<u>(40 844 69)</u>	<u>33 805 77</u>	<u>5 419 66</u>	<u>11 439 87</u>
Total Liabilities and Fund Equity	<u>447 418 93</u>	<u>74 329 73</u>	<u>5 479 66</u>	<u>84 028 32</u>

The accompanying notes are an integral part of these financial statements.

<u>Fire Capital</u>	<u>Other Funds</u>	<u>Total</u>
16 184 75	1 342 77	181 954 10
-	-	100 00
-	-	29 960 08
8 378 98	-	363 448 88
<u>-</u>	<u>-</u>	<u>61 700 08</u>
<u>24 563 73</u>	<u>1 342 77</u>	<u>637 163 14</u>
-	-	16 898 86
-	-	536 401 02
<u>-</u>	<u>-</u>	<u>48 136 15</u>
<u>-</u>	<u>-</u>	<u>601 436 03</u>
<u>24 563 73</u>	<u>1 342 77</u>	<u>35 727 11</u>
<u>24 563 73</u>	<u>1 342 77</u>	<u>35 727 11</u>
<u>24 563 73</u>	<u>1 342 77</u>	<u>637 163 14</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
December 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	35 727 11
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 therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	2 542 794 59
Accumulated depreciation	(1 860 148 36)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Notes payable	(74 539 20)
Bonds payable	(492 000 00)
Accrued compensated absences	<u>(41 203 51)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>110.630.63</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF NEWBERRY
Luce County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended December 31, 2006

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Fire Operating</u>
Revenues:				
Property taxes	317 320 54	-	-	-
P.I.L.O.T.	18 000 00	-	-	-
Licenses and permits	260 00	-	-	-
State grant	-	-	-	2 992 50
State revenue sharing	228 091 40	115 602 58	70 542 00	-
Charges for services:				
Refuse	114 492 80	-	-	-
Fire	-	-	-	52 968 48
Other	3 109 51	-	-	-
Interest	2 355 42	-	-	1 669 43
Reimbursements:				
Equipment rental and overhead	185 432 71	-	-	-
Miscellaneous	<u>36 521 66</u>	<u>-</u>	<u>440 00</u>	<u>-</u>
Total revenues	<u>905 584 04</u>	<u>115 602 58</u>	<u>70 982 00</u>	<u>57 630 41</u>
Expenditures:				
Legislative:				
Village Council	8 813 73	-	-	-
General government:				
Village President	10 641 21	-	-	-
Administration	25 939 12	-	-	-
Accounting	23 002 25	-	-	-
Attorney	18 391 63	-	-	-
Union negotiation	4 850 00	-	-	-
Clerk	8 055 22	-	-	-
Audit	5 700 00	-	-	-
Treasurer	7 639 04	-	-	-
Building and grounds – garage	11 211 44	-	-	-
Building and grounds – other	9 688 02	-	-	-
Motor pool	73 227 79	-	-	-
Public safety:				
Police protection	196 482 67	-	-	-
Fire protection	-	-	-	77 999 65
Public works:				
Building demolition	520 12	-	-	-
Department of Public Works	5 861 89	-	-	-
Sidewalks	529 07	-	-	-
Highways and streets	-	81 377 06	190 588 26	-
Street lighting	18 566 24	-	-	-
Sewers	27 924 22	-	-	-
Sanitation	89 789 99	-	-	-
Culture and recreation				
Recreation	-	-	-	-

The accompanying notes are an integral part of these financial statements.

<u>Fire Capital</u>	<u>Other Funds</u>	<u>Total</u>
-	-	317 320 54
-	-	18 000 00
-	-	260 00
-	30 900 00	33 892 50
-	-	414 235 98
-	-	114 492 80
12 912 00	-	65 880 48
-	-	3 109 51
305 78	31 31	4 361 94
-	-	185 432 71
-	<u>16 700 00</u>	<u>53 661 66</u>
<u>13 217 78</u>	<u>47 631 31</u>	<u>1 210 648 12</u>
-	-	8 813 73
-	-	10 641 21
-	-	25 939 12
-	-	23 002 25
-	-	18 391 63
-	-	4 850 00
-	-	8 055 22
-	-	5 700 00
-	-	7 639 04
-	-	11 211 44
-	-	9 688 02
-	-	73 227 79
-	-	196 482 67
25 824 00	-	103 823 65
-	-	520 12
-	-	5 861 89
-	-	529 07
-	-	271 965 32
-	-	18 566 24
-	-	27 924 22
-	-	89 789 99
-	51 751 34	51 751 34

VILLAGE OF NEWBERRY
Luce County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended December 31, 2006

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Fire Operating</u>
Expenditures: (continued)				
Other:				
Fringe benefits	186 943 59	-	-	-
Insurance	26 203 00	-	-	-
Retirement	45 666 52	-	-	-
Social security	24 655 52	-	-	-
Capital outlay	1 253 39	-	-	-
Debt service	57 517 03	-	-	-
Total expenditures	<u>889 072 70</u>	<u>81 377 06</u>	<u>190 588 26</u>	<u>77 999 65</u>
Excess (deficiency) of revenues over expenditures	<u>16 511 34</u>	<u>34 225 52</u>	<u>(119 606 26)</u>	<u>(20 369 24)</u>
Other financing sources (uses):				
Operating transfers in	-	-	120 345 00	20 369 24
Operating transfers out	<u>(119 816 24)</u>	<u>(33 810 00)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(119 816 24)</u>	<u>(33 810 00)</u>	<u>120 345 00</u>	<u>20 369 24</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(103 304 90)	415 52	738 74	-
Fund balances, January 1	<u>62 460 21</u>	<u>33 390 25</u>	<u>4 680 92</u>	<u>11 439 87</u>
Fund Balances, December 31	<u><u>(40 844 69)</u></u>	<u><u>33 805 77</u></u>	<u><u>5 419 66</u></u>	<u><u>11 439 87</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Fire Capital</u>	<u>Other Funds</u>	<u>Total</u>
-	-	186 943 59
-	-	26 203 00
-	-	45 666 52
-	-	24 655 52
-	-	1 253 39
<u>-</u>	<u>-</u>	<u>57 517 03</u>
<u>25 824 00</u>	<u>51 751 34</u>	<u>1 316 613 01</u>
<u>(12 606 22)</u>	<u>(4 120 03)</u>	<u>(105 964 89)</u>
12 912 00	-	153 626 24
<u>-</u>	<u>-</u>	<u>(153 626 24)</u>
<u>(12 912 00)</u>	<u>-</u>	<u>-</u>
305 78	(4 120 03)	(105 964 89)
<u>24 257 95</u>	<u>5 462 80</u>	<u>141 692 00</u>
<u>24 563 73</u>	<u>1 342 77</u>	<u>35 727 11</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended December 31, 2006

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (105 964 89)

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

Depreciation Expense	(97 549 62)
Capital Outlay	1 253 39

Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	52 455 11
--------------------------------------	-----------

Increase in accrued compensated absences is an expense in the statement of activities but it is not in the statement of revenues, expenditures and changes in fund balances.

(998 29)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

(150 804 30)

The accompanying notes are an integral part of these financial statements.

VILLAGE OF NEWBERRY
Luce County, Michigan

STATEMENT OF NET ASSETS – ALL PROPRIETARY FUNDS
December 31, 2006

<u>Assets</u>	<u>Electric</u>	<u>Water</u>	<u>Newberry Sewage</u>
Current assets:			
Cash in bank	(34 460 15)	216 476 87	28 675 31
Petty cash	50 00	-	-
Accounts receivable	233 107 60	12 146 15	13 246 49
Internal balances	309 488 46	(1 410 98)	(102 191 07)
Inventory	<u>58 667 42</u>	<u>42 941 89</u>	<u>-</u>
Total current assets	<u>566 853 33</u>	<u>270 153 93</u>	<u>(60 269 27)</u>
Fixed assets:			
Plant, property and equipment	5 771 008 13	3 205 091 71	2 504 144 72
Accumulated depreciation	<u>(3 051 954 56)</u>	<u>(620 008 43)</u>	<u>(1 274 605 03)</u>
Net fixed assets	<u>2 719 053 57</u>	<u>2 585 083 28</u>	<u>1 229 539 69</u>
Other assets:			
Capital credits in cooperative	<u>862 862 23</u>	<u>-</u>	<u>-</u>
Total other assets	<u>862 862 23</u>	<u>-</u>	<u>-</u>
Total Assets	<u>4 148 769 13</u>	<u>2 855 237 21</u>	<u>1 169 270 42</u>
<u>Liabilities and Net Assets</u>			
Liabilities:			
Accounts payable	100 514 22	7 282 81	-
Accrued interest payable	-	-	4 862 00
Accrued compensated absences	11 778 23	11 778 23	-
Bonds payable	<u>2 898 000 00</u>	<u>1 817 000 00</u>	<u>181 853 00</u>
Total liabilities	<u>3 010 292 45</u>	<u>1 836 061 04</u>	<u>186 715 00</u>
Net assets:			
Invested in capital assets, net of related debt	683 915 80	768 083 28	1 047 686 69
Unrestricted	<u>454 560 88</u>	<u>251 092 89</u>	<u>(65 131 27)</u>
Total net assets	<u>1 138 476 68</u>	<u>1 019 176 17</u>	<u>982 555 42</u>
Total Liabilities and Net Assets	<u>4 148 769 13</u>	<u>2 855 237 21</u>	<u>1 169 270 42</u>

The accompanying notes are an integral part of these financial statements.

<u>Luce County Sewage</u>	<u>Total</u>
3 797 91	214 489 94
-	50 00
181 730 53	440 230 77
(32 934 27)	172 952 14
<u>18 972 52</u>	<u>120 581 83</u>
<u>171 566 69</u>	<u>948 304 68</u>
43 513 07	11 523 757 63
<u>(39 944 48)</u>	<u>(4 986 512 50)</u>
<u>3 568 59</u>	<u>6 537 245 13</u>
<u>-</u>	<u>862 862 23</u>
<u>-</u>	<u>862 862 23</u>
<u>175 135 28</u>	<u>8 348 412 04</u>
6 791 37	114 588 40
-	4 862 00
19 599 25	43 155 71
<u>-</u>	<u>4 896 853 00</u>
<u>26 390 62</u>	<u>5 059 459 11</u>
3 568 59	2 503 254 36
<u>145 176 07</u>	<u>785 698 57</u>
<u>148 744 66</u>	<u>3 288 952 93</u>
<u>175 135 28</u>	<u>8 348 412 04</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –
ALL PROPRIETARY FUNDS
Year ended December 31, 2006

	<u>Electric</u>	<u>Water</u>	<u>Newberry Sewage</u>
Operating revenues:			
Charges for services	1 586 482 90	379 741 46	343 145 47
Miscellaneous	<u>73 005 32</u>	<u>6 959 91</u>	-
Total operating revenues	<u>1 659 488 22</u>	<u>386 701 37</u>	<u>343 145 47</u>
Operating expenses:			
Wages	205 439 24	91 713 22	-
Benefits	159 981 79	5 722 98	-
Repairs and maintenance	31 415 13	5 398 05	-
Contracted services	33 380 02	-	305 509 89
Supplies	24 755 16	32 559 46	-
Utilities	833 365 90	11 062 25	-
Insurance	23 069 16	-	-
Miscellaneous	<u>35 328 73</u>	<u>16 813 93</u>	-
Total operating expenses before depreciation	<u>1 346 735 13</u>	<u>163 269 89</u>	<u>305 509 89</u>
Operating income before depreciation	312 753 09	223 431 48	37 635 58
Less: depreciation	<u>(96 851 32)</u>	<u>(27 008 17)</u>	<u>(51 038 91)</u>
Operating income (loss)	<u>215 901 77</u>	<u>196 423 31</u>	<u>(13 403 33)</u>
Other income and (expense):			
Federal grant	-	281 253 70	-
Interest income	16 008 93	-	248 11
Interest expense and fees	<u>(135 253 27)</u>	<u>(21 246 57)</u>	<u>(20 754 02)</u>
Net other income and (expense)	<u>(119 244 34)</u>	<u>260 007 13</u>	<u>(20 505 91)</u>
Net income (loss)	96 657 43	456 430 44	(33 909 24)
Net assets, January 1	<u>1 041 819 25</u>	<u>562 745 73</u>	<u>1 016 464 66</u>
Net Assets, December 31	<u>1 138 476 68</u>	<u>1 019 176 17</u>	<u>982 555 42</u>

The accompanying notes are an integral part of these financial statements.

<u>Luce County Sewage</u>	<u>Total</u>
387 650 21	2 697 020 04
<u>3 734 50</u>	<u>83 699 73</u>
<u>391 384 71</u>	<u>80 719 77</u>
121 943 81	19 096 27
108 589 76	74 294 53
3 346 47	40 159 65
56 389 26	395 279 17
22 609 39	79 924 01
74 950 52	919 378 67
14 679 74	37 748 90
<u>987 42</u>	<u>53 130 08</u>
<u>403 496 37</u>	<u>2 219 011 28</u>
(12 111 66)	561 708 49
<u>(1 204 23)</u>	<u>(176 102 63)</u>
<u>(13 315 89)</u>	<u>385 605 86</u>
-	281 253 70
221 47	16 478 51
-	<u>(177 253 86)</u>
<u>221 47</u>	<u>120 478 35</u>
(13 094 42)	506 084 21
<u>161 839 08</u>	<u>2 782 868 72</u>
<u>148 744 66</u>	<u>3 288 952 93</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUNDS
Year ended December 31, 2006

	<u>Electric</u>	<u>Water</u>	<u>Newberry Sewage</u>
Cash flows from operating activities:			
Cash received from customers	1 565 091 24	381 131 63	340 808 67
Cash payments to suppliers for goods and services	(1 296 197 14)	(64 700 97)	(338 973 14)
Cash payments to employees for services	(205 439 24)	(91 713 22)	-
Other operating revenues	<u>73 005 32</u>	<u>6 959 91</u>	<u>-</u>
Net cash provided (used) for operating activities	<u>136 460 18</u>	<u>231 677 35</u>	<u>1 835 53</u>
Cash flows from non-capital financing activities:			
Net borrowings (repayments) with other funds	<u>(126 342 88)</u>	<u>1 410 98</u>	<u>30 810 65</u>
Net cash provided (used) for non- capital financing activities	<u>(126 342 88)</u>	<u>1 410 98</u>	<u>30 810 65</u>
Cash flows from capital and related financing activities:			
Acquisition of fixed assets	(411 119 27)	(1 868 659 24)	-
Proceeds from bond sales	-	1 415 000 00	-
Proceeds from federal grant	-	281 253 70	-
Principal paid on revenue bond maturities and equipment contracts	(137 000 00)	(20 000 00)	(17 430 00)
Interest paid on revenue bonds and equipment contracts	<u>(135 253 27)</u>	<u>(21 246 57)</u>	<u>(20 754 02)</u>
Net cash provided (used) for capital and related financing activities	<u>(683 372 54)</u>	<u>(213 652 11)</u>	<u>(38 184 02)</u>
Cash flows from investing activities:			
Interest income	<u>16 008 93</u>	<u>-</u>	<u>248 11</u>
Net cash provided (used) for investing activities	<u>16 008 93</u>	<u>-</u>	<u>248 11</u>
Net increase (decrease) in cash and cash equivalents	(657 246 31)	19 436 22	(5 289 73)
Cash and cash equivalents, January 1	<u>622 836 16</u>	<u>197 040 65</u>	<u>33 965 04</u>
Cash and Cash Equivalents, December 31	<u>(34 410 15)</u>	<u>216 476 87</u>	<u>28 675 31</u>

The accompanying notes are an integral part of these financial statements.

<u>Luce County Sewage</u>	<u>Total</u>
352 784 91	2 639 816 45
(291 110 63)	(1 990 981 88)
(121 943 81)	(419 096 27)
<u>3 734 50</u>	<u>83 699 73</u>
<u>(56 535 03)</u>	<u>313 438 03</u>
<u>37 130 66</u>	<u>(56 990 59)</u>
<u>37 130 66</u>	<u>(56 990 59)</u>
-	(2 279 778 51)
-	1 415 000 00
-	281 253 70
-	(174 430 00)
<u>-</u>	<u>(177 253 86)</u>
<u>-</u>	<u>(935 208 67)</u>
<u>221 47</u>	<u>16 478 51</u>
<u>221 47</u>	<u>16 478 51</u>
(19 182 90)	(662 282 72)
<u>22 980 81</u>	<u>876 822 66</u>
<u><u>3 797 91</u></u>	<u><u>214 539 94</u></u>

VILLAGE OF NEWBERRY
Luce County, Michigan

STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUNDS
Year ended December 31, 2006

	<u>Electric</u>	<u>Water</u>	<u>Newberry Sewage</u>
Reconciliation of operating income to net cash provided (used) for operating activities:			
Operating income (loss)	215 901 77	196 423 31	(13 403 33)
Depreciation	96 851 32	27 008 17	51 038 91
Increase (decrease) in assets and liabilities:			
Accounts receivable	(21 391 66)	1 390 17	(2 336 80)
Other assets	(108 387 39)	-	-
Accounts payable	(36 823 64)	(4 922 53)	(33 463 25)
Accrued expenses	(9 690 22)	11 778 23	-
Net Cash Provided (Used) for Operating Activities	<u>136 460 18</u>	<u>231 677 35</u>	<u>1 835 53</u>

The accompanying notes are an integral part of these financial statements.

<u>Luce County Sewage</u>	<u>Total</u>
(13 315 89)	385 605 86
1 204 23	176 102 63
(34 865 30)	(57 203 59)
(8 388 48)	(116 775 87)
(667 24)	(75 876 66)
<u>(502 35)</u>	<u>1 585 66</u>
<u>(56 535 03)</u>	<u>313 438 03</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Note 1 – Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary 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 revenues, 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business type funds are reported as separate columns in the fund financial statements.

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. 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. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

VILLAGE OF NEWBERRY
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Funds

These funds are used to account for the acquisition or construction of capital facilities not financed by proprietary funds.

Proprietary Funds

Enterprise Funds

Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have been provided for all collections that are considered doubtful.

Inventories

Inventories of supplies are recorded at the lower of cost or market price.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 15 with the final collection date of March 1 before they are added to the county tax rolls. The Village 2006 tax roll millage rate was 17.6925 mills, and the taxable value was \$17,935,314.00.

VILLAGE OF NEWBERRY
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Village as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	20-50 years
Vehicles and equipment	5-15 years

Compensated Absences (Vacation and Sick Leave)

The estimated current portion of the liability for vacation and sick leave benefits attributable to the Village's governmental funds is recorded as an expenditure and liability in the respective funds. The amounts attributable to proprietary funds are charged to expense and a corresponding liability in the applicable fund. Employees may accumulate vacation leave and are partially paid for unused sick leave upon termination of employment.

Post-employment Benefits

The Village provides health care benefits to retirees in accordance with labor contracts. Expenditures for post-employment health care benefits are recognized as the insurance premiums become due. These benefits are paid annually from the General, Sewer, Water, and Electric Funds and totaled \$127,149.47 for the year ended December 31, 2006.

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. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Deficit Fund Balance

As of December 31, 2006, the General Fund had a \$40,844.69 deficit fund balance. A deficit elimination plan will be prepared for Village Council approval and then filed with the Local Audit and Finance Division of the Department of Treasury of the State of Michigan.

VILLAGE OF NEWBERRY
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Note 3 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

Note 4 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated three banks for the deposit of Village funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

VILLAGE OF NEWBERRY
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Note 4 – Deposits and Investments (continued)

The Village's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>396 444 04</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	267 993 34
Uninsured and Uncollateralized	<u>235 570 65</u>
Total Deposits	<u>503 563 99</u>

The Village of Newberry did not have any investments as of December 31, 2006.

Note 5 – Capital Assets

Capital asset activity of the Village's Governmental and Business-Type activities for the current year was as follows:

	<u>Balance 1/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/06</u>
<u>Governmental Activities:</u>				
Buildings and improvements	778 512 15	-	-	778 512 15
Vehicles and equipment	<u>1 763 029 05</u>	<u>1 253 39</u>	-	<u>1 764 282 44</u>
Total	2 541 541 20	1 253 39	-	2 542 794 59
Accumulated Depreciation	<u>(1 762 598 74)</u>	<u>(97 549 62)</u>	-	<u>(1 860 148 36)</u>
Net Governmental Capital Assets	<u>778 942 46</u>	<u>(96 296 23)</u>	-	<u>682 646 23</u>
<u>Business-Type Activities:</u>				
Electric System	5 359 888 86	411 119 27	-	5 771 008 13
Water System	1 336 432 47	1 868 659 24	-	3 205 091 71
Sewer Systems	<u>2 547 657 79</u>	-	-	<u>2 547 657 79</u>
Total	9 243 979 12	2 279 778 51	-	11 523 757 63
Accumulated Depreciation	<u>(4 810 409 87)</u>	<u>(176 102 63)</u>	-	<u>(4 986 512 50)</u>
Net Business Type Capital Assets	<u>4 433 569 25</u>	<u>2 103 675 88</u>	-	<u>6 537 245 13</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Note 6 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Electric	<u>11 403 69</u>	Newberry Sewage	<u>11 403 69</u>
Fire Capital	<u>8 378 98</u>	General	<u>8 378 98</u>
General	<u>85 140 52</u>	Luce County Sewage	<u>85 140 52</u>
General	<u>23 688 79</u>	Fire Operating	<u>23 688 79</u>
Major Street	<u>24 554 35</u>	General	<u>24 554 35</u>
Local Street	<u>127 018 35</u>	General	<u>127 018 35</u>
Luce County Sewage	<u>52 206 25</u>	Newberry Sewage	<u>52 206 25</u>
Local Street	<u>40 463 96</u>	Major Street	<u>40 463 96</u>
General	<u>38 581 13</u>	Newberry Sewage	<u>38 581 13</u>
Electric	<u>298 084 77</u>	General	<u>298 084 77</u>
Local Street	<u>1 410 98</u>	Water	<u>1 410 98</u>
Total	<u>710 931 77</u>	Total	<u>710 931 77</u>

Note 7 – Changes in Long-Term Debt – Governmental Activities

A summary of changes in long-term debt follows:

	<u>Balance 1/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/06</u>
Accrued compensated absences	40 205 22	998 29	-	41 203 51
Note payable – plow truck	93 994 31	-	19 455 11	74 539 20
2002 General Obligation Bonds	<u>525 000 00</u>	<u>-</u>	<u>33 000 00</u>	<u>492 000 00</u>
Total	<u>659 199 53</u>	<u>998 29</u>	<u>52 455 11</u>	<u>607 742 71</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Note 8 – Note Payable– Plow Truck

On May 10, 2006 the Village obtained a loan of \$104,873.88 from a bank for the purchase of a plow truck. The loan bears interest at the rate of 5.15% and is due in 60 monthly installments of \$1,986.68 including interest. As of December 31, 2006, the principal balance outstanding on the loan was \$74,539.20.

Note 9 – 2002 Newberry General Obligation Bonds

On August 20, 2002, the Village of Newberry issued \$985,000.00 of its bonds to partially finance streetscape improvements and improvements to the Village's electric utility system. The bonds are backed by the full faith and credit of the Village. Of the \$985,000.00, \$591,000.00 will be paid by the Village's General Fund. \$394,000.00 will be paid by the Village's Electric Fund, and is recorded directly in the Electric Fund. The following is a schedule of the outstanding principal and interest on the bonds:

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
5/1/2007			18 490 00	18 490 00
11/1/2007	4.4%	60 000 00	18 490 00	78 490 00
5/1/2008			17 170 00	17 170 00
11/1/2008	4.4%	60 000 00	17 170 00	77 170 00
5/1/2009			15 850 00	15 850 00
11/1/2009	4.4%	65 000 00	15 850 00	80 850 00
5/1/2010			14 420 00	14 420 00
11/1/2010	4.4%	65 000 00	14 420 00	79 420 00
5/1/2011			12 990 00	12 990 00
11/1/2011	4.4%	70 000 00	12 990 00	82 990 00
5/1/2012			11 450 00	11 450 00
11/1/2012	4.4%	75 000 00	11 450 00	86 450 00
5/1/2013			9 800 00	9 800 00
11/1/2013	4.4%	75 000 00	9 800 00	84 800 00
5/1/2014			8 150 00	8 150 00
11/1/2014	4.5%	80 000 00	8 150 00	88 150 00
5/1/2015			6 350 00	6 350 00
11/1/2015	4.6%	85 000 00	6 350 00	91 350 00
5/1/2016			4 395 00	4 395 00
11/1/2016	4.7%	90 000 00	4 395 00	94 395 00
5/1/2017			2 280 00	2 280 00
11/1/2017	4.8%	95 000 00	2 280 00	97 280 00
Totals		820 000 00	242 690 00	1 062 690 00

VILLAGE OF NEWBERRY
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Note 10 – 2002 Newberry Capital Improvement Bonds

On August 29, 2002, the Village of Newberry issued \$885,000.00 of its bonds to partially finance improvements to the Village's electric utility system. The bonds are limited tax general obligation bonds. The bonds are recorded in Electric Fund. The following is a schedule of the outstanding principal and interest on the bonds:

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
5/1/2007			18 208 75	18 208 75
11/1/2007	4.35%	35 000 00	18 208 75	53 208 75
5/1/2008			17 447 50	17 447 50
11/1/2008	4.35%	35 000 00	17 447 50	52 447 50
5/1/2009			16 686 25	16 686 25
11/1/2009	4.35%	35 000 00	16 686 25	51 686 25
5/1/2010			15 925 00	15 925 00
11/1/2010	4.35%	40 000 00	15 925 00	55 925 00
5/1/2011			15 055 00	15 055 00
11/1/2011	4.35%	40 000 00	15 055 00	55 055 00
5/1/2012			14 185 00	14 185 00
11/1/2012	4.35%	40 000 00	14 185 00	54 185 00
5/1/2013			13 315 00	13 315 00
11/1/2013	4.40%	45 000 00	13 315 00	58 315 00
5/1/2014			12 325 00	12 325 00
11/1/2014	4.50%	45 000 00	12 325 00	57 325 00
5/1/2015			11 312 50	11 312 50
11/1/2015	4.60%	50 000 00	11 312 50	61 312 50
5/1/2016			10 162 50	10 162 50
11/1/2016	4.75%	50 000 00	10 162 50	60 162 50
5/1/2017			8 975 00	8 975 00
11/1/2017	4.90%	50 000 00	8 975 00	58 975 00
5/1/2018			7 750 00	7 750 00
11/1/2018	5.00%	55 000 00	7 750 00	62 750 00
5/1/2019			6 375 00	6 375 00
11/1/2019	5.10%	60 000 00	6 375 00	66 375 00
5/1/2020			4 845 00	4 845 00
11/1/2020	5.10%	60 000 00	4 845 00	64 845 00
5/1/2021			3 315 00	3 315 00
11/1/2021	5.10%	65 000 00	3 315 00	68 315 00
5/1/2022			1 657 50	1 657 50
11/1/2022	5.10%	65 000 00	1 657 50	66 657 50
Totals		<u>770 000 00</u>	<u>355 080 00</u>	<u>1 125 080 00</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Note 11 – Newberry Sewage Fund Bonds Payable

On August 1, 1976, the County of Luce issued \$805,000.00 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 which is \$467,705.00 plus 58.1% of the interest expense. The bonds bear interest at the rate of 5.0% per annum. The Village's portion of the bonds are backed by the full faith and credit of the Village. As of December 31, 2006, the Village's portion of outstanding bond principal amounted to \$181,853.00 is recorded in the Village's Newberry Sewer Fund. The following is a schedule of the Village's share of the outstanding principal and interest on the bonds:

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
March 1, 2007	5%	18,011 00	4,546 00	22,557 00
September 1, 2007			4,096 00	4,096 00
March 1, 2008	5%	18,011 00	4,096 00	22,107 00
September 1, 2008			3,646 00	3,646 00
March 1, 2009	5%	18,011 00	3,646 00	21,657 00
September 1, 2009			3,195 00	3,195 00
March 1, 2010	5%	18,011 00	3,195 00	21,206 00
September 1, 2010			2,745 00	2,745 00
March 1, 2011	5%	18,011 00	2,745 00	20,756 00
September 1, 2011			2,295 00	2,295 00
March 1, 2012	5%	18,011 00	2,295 00	20,306 00
September 1, 2012			1,845 00	1,845 00
March 1, 2013	5%	18,011 00	1,845 00	19,856 00
September 1, 2013			1,394 00	1,394 00
March 1, 2014	5%	18,592 00	1,394 00	19,986 00
September 1, 2014			930 00	930 00
March 1, 2015	5%	18,592 00	930 00	19,522 00
September 1, 2015			465 00	465 00
March 1, 2016	5%	<u>18,592 00</u>	<u>465 00</u>	<u>19,057 00</u>
Totals		<u>181,853 00</u>	<u>45,768 00</u>	<u>227,621 00</u>

Note 12 – Electric Fund Bonds Payable

On September 30, 2003, the Village of Newberry issued \$965,000.00 of it's bonds to the Michigan Municipal Bond Authority to finance the \$345,000.00 retirement of the Electric Utility Revenue Bonds, Series 1991 and to finance part of the cost of improvements and renovations to the system. The bonds are not a general obligation of the Village, but they are payable, both as to principal and interest, from the revenues of the system. As of December 31, 2006, the outstanding bond principal amounted to \$365,000.00 which is recorded in the Village's Electric Fund. The following is a schedule of the outstanding principal and interest on the bonds:

VILLAGE OF NEWBERRY
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Note 12 – Electric Fund Bonds Payable (continued)

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
5/1/2007			18,947.50	18,947.50
11/1/2007	2.500%	35,000 00	18,947.50	53,947.50
5/1/2008			18,510.00	18,510.00
11/1/2008	3.000%	40,000 00	18,510.00	58,510.00
5/1/2009			17,910.00	17,910.00
11/1/2009	3.100%	40,000 00	17,910.00	57,910.00
5/1/2010			17,290.00	17,290.00
11/1/2010	3.500%	40,000 00	17,290.00	57,290.00
5/1/2011			16,590.00	16,590.00
11/1/2011	3.750%	40,000 00	16,590.00	56,590.00
5/1/2012			15,840.00	15,840.00
11/1/2012	4.000%	45,000 00	15,840.00	60,840.00
5/1/2013			14,940.00	14,940.00
11/1/2013	4.100%	45,000 00	14,940.00	59,940.00
5/1/2014			14,017.50	14,017.50
11/1/2014	4.300%	45,000 00	14,017.50	59,017.50
5/1/2015			13,050.00	13,050.00
11/1/2015	4.400%	50,000 00	13,050.00	63,050.00
5/1/2016			11,950.00	11,950.00
11/1/2016	4.500%	50,000 00	11,950.00	61,950.00
5/1/2017			10,825.00	10,825.00
11/1/2017	4.700%	55,000 00	10,825.00	65,825.00
5/1/2018			9,532.50	9,532.50
11/1/2018	4.800%	55,000 00	9,532.50	64,532.50
5/1/2019			8,212.50	8,212.50
11/1/2019	5.000%	60,000 00	8,212.50	68,212.50
5/1/2020			6,712.50	6,712.50
11/1/2020	5.000%	60,000 00	6,712.50	66,712.50
5/1/2021			5,212.50	5,212.50
11/1/2021	5.000%	65,000 00	5,212.50	70,212.50
5/1/2022			3,587.50	3,587.50
11/1/2022	5.125%	70,000 00	3,587.50	73,587.50
5/1/2023			1,793.75	1,793.75
11/1/2023	5.125%	70,000 00	1,793.75	71,793.75
Totals		<u>865,000 00</u>	<u>409,842 50</u>	<u>1,274,842 50</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Note 13 – 2006 Electric Utility System Revenue Bonds

On October 1, 2006, the Village of Newberry issued \$985,000.00 of it's bonds to finance improvements to the electric utility system. The bonds are not a general obligation of the Village but they are payable both as to principal and interest, from the revenues of the system. As of December 31, 2006, the outstanding bond principal amounted to \$935,000.00 which is recorded in the Village's Electric Fund. The following is a schedule of the outstanding principal and interest on the bonds.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
5/1/2007			18,815.00	18,815.00
11/1/2007	3.10%	50,000.00	18,815.00	68,815.00
5/1/2008			18,040.00	18,040.00
11/1/2008	3.25%	50,000.00	18,040.00	68,040.00
5/1/2009			17,227.50	17,227.50
11/1/2009	3.40%	55,000.00	17,227.50	72,227.50
5/1/2010			16,292.50	16,292.50
11/1/2010	3.60%	55,000.00	16,292.50	71,292.50
5/1/2011			15,302.50	15,302.50
11/1/2011	3.75%	60,000.00	15,302.50	75,302.50
5/1/2012			14,177.50	14,177.50
11/1/2012	3.85%	60,000.00	14,177.50	74,177.50
5/1/2013			13,022.50	13,022.50
11/1/2013	4.00%	65,000.00	13,022.50	78,022.50
5/1/2014			11,722.50	11,722.50
11/1/2014	4.10%	65,000.00	11,722.50	76,722.50
5/1/2015			10,390.00	10,390.00
11/1/2015	4.20%	70,000.00	10,390.00	80,390.00
5/1/2016			8,920.00	8,920.00
11/1/2016	4.30%	75,000.00	8,920.00	83,920.00
5/1/2017			7,307.50	7,307.50
11/1/2017	4.35%	75,000.00	7,307.50	82,307.50
5/1/2018			5,676.25	5,676.25
11/1/2018	4.40%	80,000.00	5,676.25	85,676.25
5/1/2019			3,916.25	3,916.25
11/1/2019	4.45%	85,000.00	3,916.25	88,916.25
5/1/2020			2,025.00	2,025.00
11/1/2020	4.50%	<u>90,000.00</u>	<u>2,025.00</u>	<u>92,025.00</u>
Totals		<u>935,000.00</u>	<u>325,670.00</u>	<u>1,260,670.00</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Note 14 – 2006 Water Supply System Revenue Bonds

During 2006 the Village of Newberry issued \$2,300,000.00 of it's bonds to finance improvements to the water supply system. The bonds are not a general obligation of the Village, but they are payable, both as to principal and interest, from the revenues of the system. As of December 31, 2006, only \$1,837,000.00 of the bond proceeds had been received by the Village and this amount is recorded in the Village's Water Fund.

Note 15 – Deferred Compensation Plans

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 16 – Michigan Employees Retirement System of Michigan

Plan Description – The Village has adopted a defined benefit plan of the Michigan Employees Retirement System (MERS). MERS, an agent, multiple-employer public employee retirement system, acts as the common investment and administrative agent pursuant to State of Michigan Public Act 427 of 1984, as amended, and the Constitution of the State of Michigan. The Village's plan provides benefits for Normal retirement, Deferred retirement, Disability retirement, Non-duty death allowance, Duty-connected death allowance, and Death after retirement surviving spouse benefits. Substantially all full-time employees of the Village participate. There is no vesting for the first 10 years, and 100% vesting after 10 years.

FUNDING POLICY – The Plan's funding policy provides for employer contributions at a varying percentage of compensation, paid monthly. Employees do not currently contribute to the plan.

The normal cost and amortization payment were determined using the entry age normal actuarial funding method. Actuarial assumptions include (a) projected salary and wage increases of 4.5%, (b) a net long-term investment yield rate of 8%, (c) 1994 Group Authority Mortality Tables.

Unfunded actuarial accrued liabilities are amortized as a level percent of payroll over 30 years.

ANNUAL PENSION COST – For the fiscal year ended December 31, 2006, the Village's actual pension cost of \$106,829.09, amounted to 15.5% of covered payroll of \$687,302.53. Total gross payroll was \$736,550.56.

Components of the Actuarial Accrued Liability at December 31, 2005, the last date of Annual Actuarial Valuation, are as follows:

Actuarial Accrued Liability	
Retirees and beneficiaries currently receiving benefits	\$2,136,971.00
Terminated employees not yet receiving benefits	\$78,118.00
Current employees contributions -- including allocated investment income	6,597.00
Employer financed contributions -- including allocated investment income	<u>\$1,234,432.00</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Note 16 – Michigan Employees Retirement System of Michigan (continued)

Total Actuarial Accrued Liability	\$3,456,118.00
Net Assets Available for Benefits at Actuarial Value (Market Value was \$2,507,500.00)	<u>\$2,575,363.00</u>
Unfunded Actuarial Accrued Liability	<u><u>\$880,755.00</u></u>

For the fiscal year ending December 31, 2007, the Annual Required Contribution is \$101,640.00. The Amortization Factor Used was 0.053632.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2005, actuarial valuation.

Three year trend information of aggregate accrued liabilities follows:

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Accrued liabilities	3 018 564 00	3 320 255 00	3 456 118 00
Valuation Assets	2 406 255 00	2 497 726 00	2 575 363 00
Funded Percent	80%	75%	74%
Unfunded Actuarial Liability	612 309 00	822 529 00	880 755 00
Unfunded Actuarial Liability as a % of Annual Covered Payroll	82%	117%	128%

Note 17 – Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). 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.

VILLAGE OF NEWBERRY
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Note 18 – Segment Information for Enterprise Funds

The Village maintains three Enterprise Funds which provide water, light and sewage services. Segment information for the year ended December 31, 2006, is as follows:

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Newberry Sewage Fund</u>	<u>Luce County Sewage Fund</u>
Operating revenues	1 659 488 22	386 701 37	343 145 47	391 384 71
Operating expenses	1 346 735 13	163 269 89	305 509 89	403 496 37
Depreciation expense	96 851 32	27 008 17	51 038 91	1 204 23
Net income (loss)	96 657 43	456 430 44	(33 909 24)	(13 094 42)
Total assets	4 148 769 13	2 855 237 21	1 169 270 42	175 135 28
Plant, property and Equipment:				
Additions (deletions)	411 119 27	1 868 659 24	-	-
Net working capital	454 560 88	251 092 89	(65 131 27)	145 176 07
Bonds payable	2 898 000 00	1 817 000 00	181 853 00	-
Total equity	1 138 476 68	1 019 176 17	982 555 42	148 744 76

Note 19– Transfers In and Transfers Out

For the fiscal year ended, December 31, 2006, the Village made the following interfund transfers:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Local Streets	33 810 00	Major Streets	33 810 00
Local Streets	86 535 00	General	86 535 00
Fire Capital	12 912 00	General	12 912 00
Fire Operating	<u>20 369 24</u>	General	<u>20 369 24</u>
Total	<u>153 626 24</u>	Total	<u>153 626 24</u>

Note 20 – Capital Credits in Cooperative

The Village of Newberry Electric Fund purchases electricity for resale from Cloverland Electric Co-op. Due to operating surpluses by the cooperative, the Village of Newberry Electric Fund receives patronage capital credits. During the current year the Village received \$21,158.03 in capital credit distributions. As of December 31, 2006, the Village had capital credits outstanding of \$862,862.23. 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.

VILLAGE OF NEWBERRY
Luce County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	351 000 00	318 900 00	317 320 54	(1 579 46)
P.I.L.O.T.	18 000 00	19 500 00	18 000 00	(1 500 00)
Licenses and permits	50 00	250 00	260 00	10 00
State revenue sharing	232 400 00	228 800 00	228 091 40	(708 60)
Charges for services:				
Refuse	123 000 00	108 100 00	114 492 80	6 392 80
Other	3 000 00	3 000 00	3 109 51	109 51
Interest	2 500 00	2 350 00	2 355 42	5 42
Reimbursements:				
Equipment rental and overhead	120 000 00	192 700 00	185 432 71	(7 267 29)
Miscellaneous	185 050 00	22 250 00	36 521 66	14 271 66
Total revenues	<u>1 035 000 00</u>	<u>895 850 00</u>	<u>905 584 04</u>	<u>9 734 04</u>
Expenditures:				
Legislative:				
Village Council	10 400 00	8 900 00	8 813 73	(86 27)
General government:				
Village President	10 975 00	10 775 00	10 641 21	(133 79)
Administration	28 000 00	26 100 00	25 939 12	(160 88)
Elections	1 145 00	145 00	-	(145 00)
Accounting	28 365 00	23 065 00	23 002 25	(62 75)
Attorney	23 800 00	18 500 00	18 391 63	(108 37)
Union negotiations	4 000 00	4 900 00	4 850 00	(50 00)
Clerk	10 555 00	8 155 00	8 055 22	(99 78)
Audit	5 700 00	5 700 00	5 700 00	-
Treasurer	9 465 00	7 865 00	7 639 04	(225 96)
Building and grounds – garage	12 850 00	11 450 00	11 211 44	(238 56)
Building and grounds – other	8 400 00	9 800 00	9 688 02	(111 98)
Motor pool	64 275 00	73 375 00	73 227 79	(147 21)
Public safety:				
Police protection	199 315 00	201 165 00	196 482 67	(4 682 33)
Public works:				
Building demolition	-	600 00	520 12	(79 88)
Department of Public Works	3 000 00	6 500 00	5 861 89	(638 11)
Sidewalks	1 400 00	600 00	529 07	(70 93)
Street lighting	18 100 00	18 600 00	18 566 24	(33 76)
Sewers	20 050 00	28 150 00	27 924 22	(225 78)
Sanitation	88 140 00	90 040 00	89 789 99	(250 01)
Other:				
Fringe benefits	235 650 00	197 200 00	186 943 59	(10 256 41)
Insurance	29 200 00	26 300 00	26 203 00	(97 00)
Retirement	38 550 00	45 750 00	45 666 52	(83 48)
Social security	27 000 00	24 700 00	24 655 52	(44 48)
Capital outlay	7 100 00	1 500 00	1 253 39	(246 61)
Debt service	77 200 00	57 800 00	57 517 03	(282 97)
Total expenditures	<u>962 635 00</u>	<u>907 635 00</u>	<u>889 072 70</u>	<u>(18 562 30)</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Excess (deficiency) of revenues over expenditures	<u>72 365 00</u>	<u>(11 785 00)</u>	<u>16 511 34</u>	<u>28 296 34</u>
Other financing sources (uses):				
Operating transfers out	<u>(72 365 00)</u>	<u>(127 365 00)</u>	<u>(119 816 24)</u>	<u>7 548 76</u>
Total other financing sources (uses)	<u>(72 365 00)</u>	<u>(127 365 00)</u>	<u>(119 816 24)</u>	<u>7 548 76</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	(139 150 00)	(103 304 90)	35 845 10
Fund balance, January 1	<u>-</u>	<u>139 150 00</u>	<u>62 460 21</u>	<u>(76 689 79)</u>
Fund Balance, December 31	<u>-</u>	<u>-</u>	<u>(40 844 69)</u>	<u>(40 844 69)</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND
Year ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
State shared revenue	112 500 00	116 000 00	115 602 58	(397 42)
Total revenues	<u>112 500 00</u>	<u>116 000 00</u>	<u>115 602 58</u>	<u>(397 42)</u>
Expenditures:				
Public works:				
Highways and streets:				
Routine maintenance	30 900 00	20 800 00	20 503 17	(296 83)
Winter maintenance	42 050 00	39 750 00	39 509 30	(240 70)
Administration	16 290 00	20 090 00	19 982 80	(107 20)
Truckline maintenance	1 850 00	1 550 00	1 381 79	(168 21)
Total expenditures	<u>91 090 00</u>	<u>82 190 00</u>	<u>81 377 06</u>	<u>(812 94)</u>
Excess of revenues over expenditures	<u>21 410 00</u>	<u>33 810 00</u>	<u>34 225 52</u>	<u>415 52</u>
Other financing sources (uses):				
Operating transfers out	(21 410 00)	(33 810 00)	(33 810 00)	-
Total other financing sources (uses)	<u>(21 410 00)</u>	<u>(33 810 00)</u>	<u>(33 810 00)</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	-	-	415 52	415 52
Fund balance, January 1	-	-	33 390 25	33 390 25
Fund Balance, December 31	<u>-</u>	<u>-</u>	<u>33 805 77</u>	<u>33 805 77</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

BUDGETARY COMPARISON SCHEDULE – LOCAL STREET FUND
Year ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
State shared revenue	62 500 00	70 500 00	70 542 00	42 00
Miscellaneous	-	400 00	440 00	40 00
Total revenues	<u>62 500 00</u>	<u>70 900 00</u>	<u>70 982 00</u>	<u>82 00</u>
Expenditures:				
Public works:				
Highways and streets:				
Routine maintenance	41 845 00	97 145 00	96 798 96	(346 04)
Winter maintenance	60 500 00	74 300 00	74 117 23	(182 77)
Administration	15 600 00	19 800 00	19 672 07	(127 93)
Total expenditures	<u>117 945 00</u>	<u>191 245 00</u>	<u>190 588 26</u>	<u>(656 74)</u>
Excess (deficiency) of revenues over expenditures	<u>(55 445 00)</u>	<u>(120 345 00)</u>	<u>(119 606 26)</u>	<u>738 74</u>
Other financing sources (uses):				
Operating transfers in	55 445 00	120 345 00	120 345 00	-
Total other financing sources (uses)	<u>55 445 00</u>	<u>120 345 00</u>	<u>120 345 00</u>	<u>-</u>
Excess of revenues and other sources over expenditures and other uses	-	-	738 74	738 74
Fund balance, January 1	-	-	4 680 92	4 680 92
Fund Balance, December 31	<u>-</u>	<u>-</u>	<u>5 419 66</u>	<u>5 419 66</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE OPERATING FUND
Year ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
State grant	2 000 00	2 950 00	2 992 50	42 50
Charges for services	82 360 00	54 960 00	52 968 48	(1 991 52)
Interest	<u>1 200 00</u>	<u>1 650 00</u>	<u>1 669 43</u>	<u>19 43</u>
Total revenues	<u>85 560 00</u>	<u>59 560 00</u>	<u>57 630 41</u>	<u>(1 929 59)</u>
Expenditures:				
Fire protection	<u>110 940 00</u>	<u>80 940 00</u>	<u>77 999 65</u>	<u>(2 940 35)</u>
Total expenditures	<u>110 940 00</u>	<u>80 940 00</u>	<u>77 999 65</u>	<u>(2 940 35)</u>
Excess (deficiency) of revenues over expenditures	<u>(25 380 00)</u>	<u>(21 380 00)</u>	<u>(20 369 24)</u>	<u>1 010 76</u>
Other financing sources (uses):				
Operating transfers in	<u>25 380 00</u>	<u>21 380 00</u>	<u>20 369 24</u>	<u>(1 010 76)</u>
Total other financing sources (uses)	<u>25 380 00</u>	<u>21 380 00</u>	<u>20 369 24</u>	<u>(1 010 76)</u>
Excess of revenues and other sources over expenditures and other uses	-	-	-	-
Fund balance, January 1	<u>-</u>	<u>-</u>	<u>11 439 87</u>	<u>11 439 87</u>
Fund Balance, December 31	<u>-</u>	<u>-</u>	<u>11 439 87</u>	<u>11 439 87</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE CAPITAL FUND
Year ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Charges for services	12 950 00	12 950 00	12 912 00	(38 00)
Interest	-	-	305 78	305 78
Total revenues	<u>12 950 00</u>	<u>12 950 00</u>	<u>13 217 78</u>	<u>267 78</u>
Expenditures:				
Fire protection	25 900 00	25 900 00	25 824 00	(76 00)
Total expenditures	<u>25 900 00</u>	<u>25 900 00</u>	<u>25 824 00</u>	<u>(76 00)</u>
Excess (deficiency) of revenues over expenditures	<u>(12 950 00)</u>	<u>(12 950 00)</u>	<u>(12 606 22)</u>	<u>343 78</u>
Other financing sources (uses):				
Operating transfers in	12 950 00	12 950 00	12 912 00	(38 00)
Total other financing sources (uses)	<u>12 950 00</u>	<u>12 950 00</u>	<u>12 912 00</u>	<u>(38 00)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	-	305 78	305 78
Fund balance, January 1	-	-	24 257 95	24 257 95
Fund Balance, December 31	<u>-</u>	<u>-</u>	<u>24 563 73</u>	<u>24 563 73</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended December 31, 2006

Village Council:	
Salaries	6 725 00
Dues	1 932 00
Miscellaneous	156 73
	<u>8 813 73</u>
Village President:	
Salary	3 600 00
Miscellaneous	7 041 21
	<u>10 641 21</u>
Administration:	
Wages	25 344 78
Travel	594 34
	<u>25 939 12</u>
Accounting:	
Wages	12 488 21
Office supplies	2 936 14
Contracted services	2 549 14
Telephone	2 706 84
Repairs and maintenance	1 155 77
Miscellaneous	1 166 15
	<u>23 002 25</u>
Attorney:	
Contracted services	15 966 12
Supplies	800 00
Miscellaneous	1 625 51
	<u>18 391 63</u>
Union negotiation	<u>4 850 00</u>
Clerk:	
Salary	4 836 48
Printing and publishing	3 159 60
Office supplies	59 14
	<u>8 055 22</u>
Audit	<u>5 700 00</u>
Treasurer:	
Salary	5 269 56
Supplies	175 98
Postage	390 00
Tax roll preparation	1 803 50
	<u>7 639 04</u>
Building and grounds – garage:	
Electricity	3 870 42
Heating	6 923 20
Supplies	417 82
	<u>11 211 44</u>
Building and grounds – other:	
Wages	8 765 63
Repairs and maintenance	922 39
	<u>9 688 02</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended December 31, 2006

Motor pool:	
Wages	26 921 73
Tools and supplies	2 020 78
Gas, oil and grease	23 384 34
Equipment and vehicle maintenance	19 847 89
Telephone	1 053 05
	<u>73 227 79</u>
Police protection:	
Salaries and wages	96 113 71
Hospitalization	71 819 09
Retirement	10 438 37
Office supplies	1 575 40
Tools and supplies	300 47
Uniforms	1 181 93
Laundry	250 00
Gasoline	4 375 51
Telephone	1 751 87
Vehicle maintenance	3 938 31
Insurance	2 664 64
Miscellaneous	2 073 37
	<u>196 482 67</u>
Building demolition	<u>520 12</u>
Department of Public Works:	
Uniforms	598 21
Supplies	5 036 84
Miscellaneous	226 84
	<u>5 861 89</u>
Sidewalks:	
Supplies	<u>529 07</u>
Street lighting	<u>18 566 24</u>
Sewers:	
Wages	14 007 20
Supplies	3 434 03
Contracted services	10 482 99
	<u>27 924 22</u>
Sanitation:	
Wages	28 185 67
Contracted services	59 961 07
Supplies	1 643 25
	<u>89 789 99</u>
Fringe benefits:	
Hospitalization, life, holiday, sick and vacation	<u>186 943 59</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended December 31, 2006

Insurance	<u>26 203 00</u>
Retirement	<u>45 666 52</u>
Social security	<u>24 655 52</u>
Capital outlay	<u>1 253 39</u>
Debt service	<u>57 517 03</u>
Total Expenditures	<u>889 072 70</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

COMBINING BALANCE SHEET -- ALL SPECIAL REVENUE FUNDS
December 31, 2006

<u>Assets</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Fire Operating</u>	<u>Fire Capital</u>	<u>Total</u>
Cash in bank	35 273 89	(169 188 22)	84 028 32	16 184 75	(33 701 26)
Due from other funds	24 554 35	168 893 29	-	8 378 98	201 826 62
Due from State of Michigan	<u>14 501 49</u>	<u>5 774 59</u>	<u>-</u>	<u>-</u>	<u>20 276 08</u>
Total Assets	<u>74 329 73</u>	<u>5 479 66</u>	<u>84 028 32</u>	<u>24 563 73</u>	<u>188 401 44</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	60 00	60 00	763 51	-	883 51
Due to other funds	40 463 96	-	23 688 79	-	64 152 75
Due to other units	-	-	48 136 15	-	48 136 15
Total liabilities	<u>40 523 96</u>	<u>60 00</u>	<u>72 588 45</u>	<u>-</u>	<u>113 172 41</u>
Fund balances:					
Unreserved:					
Undesignated	<u>33 805 77</u>	<u>5 419 66</u>	<u>11 439 87</u>	<u>24 563 73</u>	<u>75 229 03</u>
Total fund balances	<u>33 805 77</u>	<u>5 419 66</u>	<u>11 439 87</u>	<u>24 563 73</u>	<u>75 229 03</u>
Total Liabilities and Fund Balances	<u>74 329 73</u>	<u>5 479 66</u>	<u>84 028 32</u>	<u>24 563 73</u>	<u>188 401 44</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS
Year ended December 31, 2006

	<u>Major Street</u>	<u>Local Street</u>	<u>Fire Operating</u>	<u>Fire Capital</u>	<u>Total</u>
Revenues:					
State grant	-	-	2 992 50	-	2 992 50
State shared revenue	115 602 58	70 542 00	-	-	186 144 58
Charges for services – fire	-	-	52 968 48	12 912 00	65 880 48
Interest	-	-	1 669 43	305 78	1 975 21
Miscellaneous	-	440 00	-	-	440 00
Total revenues	<u>115 602 58</u>	<u>70 982 00</u>	<u>57 630 41</u>	<u>13 217 78</u>	<u>257 432 77</u>
Expenditures:					
Public safety:					
Fire protection	-	-	77 999 65	25 824 00	103 823 65
Public works:					
Highways and streets	81 377 06	190 588 26	-	-	271 965 32
Total expenditures	<u>81 377 06</u>	<u>190 588 26</u>	<u>77 999 65</u>	<u>25 824 00</u>	<u>375 788 97</u>
Excess (deficiency) of revenues over expenditures	<u>34 225 52</u>	<u>(119 606 26)</u>	<u>(20 369 24)</u>	<u>(12 606 22)</u>	<u>(118 356 20)</u>
Other financing sources (uses):					
Operating transfers in	-	120 345 00	20 369 24	12 912 00	153 626 24
Operating transfers out	(33 810 00)	-	-	-	(33 810 00)
Total other financing sources (uses)	<u>(33 810 00)</u>	<u>120 345 00</u>	<u>20 369 24</u>	<u>12 912 00</u>	<u>119 816 24</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	415 52	738 74	-	305 78	1 460 04
Fund balances, January 1	<u>33 390 25</u>	<u>4 680 92</u>	<u>11 439 87</u>	<u>24 257 95</u>	<u>73 768 99</u>
Fund Balances, December 31	<u>33 805 77</u>	<u>5 419 66</u>	<u>11 439 87</u>	<u>24 563 73</u>	<u>75 229 03</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

COMBINING BALANCE SHEET – ALL CAPITAL PROJECTS FUNDS
December 31, 2006

	<u>Downtown Development</u>	<u>Historical Society Renovation</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	1 268 17	74 60	1 342 77
Total Assets	<u>1 268 17</u>	<u>74 60</u>	<u>1 342 77</u>
<u>Liabilities and Fund Balances</u>			
Liabilities	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Unreserved:			
Undesignated	1 268 17	74 60	1 342 77
Total fund balances	<u>1 268 17</u>	<u>74 60</u>	<u>1 342 77</u>
Total Liabilities and Fund Balances	<u>1 268 17</u>	<u>74 60</u>	<u>1 342 77</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
ALL CAPITAL PROJECTS FUNDS
Year ended December 31, 2006

	<u>Downtown Development</u>	<u>Historical Society Renovation</u>	<u>Total</u>
Revenues:			
State grant	-	30 900 00	30 900 00
Interest	31 31	-	31 31
Miscellaneous	-	16 700 00	16 700 00
Total revenues	<u>31 31</u>	<u>47 600 00</u>	<u>47 631 31</u>
Expenditures:			
Parks and Recreation:			
Repairs and Maintenance	-	51 751 34	51 751 34
Total expenditures	<u>-</u>	<u>51 751 34</u>	<u>51 751 34</u>
Excess (deficiency) of revenues over expenditures	31 31	(4 151 34)	(4 120 03)
Fund balances, January 1	<u>1 236 86</u>	<u>4 225 94</u>	<u>5 462 80</u>
Fund Balances, December 31	<u>1 268 17</u>	<u>74 60</u>	<u>1 342 77</u>

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

February 24, 2007

To the Village Council
Village of Newberry
Luce County, Michigan

We have audited the financial statements of the Village of Newberry, Luce County, Michigan, as of and for the year ended December 31, 2006, and have issued our report thereon dated February 24, 2007. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Village of Newberry's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Village of Newberry's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our study and evaluation disclosed the following condition that we believe to be a material weakness for which management believes corrective action is not practicable in the circumstances. Within the present plan of organization of the Village there is an inadequate control over cash transactions caused by an inadequate segregation of duties which is due to the limited number of office personnel employed. Such study and evaluation disclosed no conditions that we believe to be material weaknesses for which corrective action is practicable in the circumstances.

This report is intended for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Campbell, Kusterer & Co., P.C.
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

February 24, 2007

To the Village Council
Village of Newberry
Luce County, Michigan

Compliance

We have audited the compliance of Village of Newberry, Luce County, Michigan, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2006. Village of Newberry's major federal programs are identified in the schedule of expenditures of federal awards. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Village of Newberry's management. Our responsibility is to express an opinion on Village of Newberry's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Village of Newberry's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Village of Newberry's compliance with those requirements.

In our opinion, Village of Newberry complies, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of Village of Newberry is responsible for establishing and maintaining effective control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Village of Newberry's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

To the Village Council
Village of Newberry
Luce County, Michigan

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

VILLAGE OF NEWBERRY
Luce County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2006

<u>Federal Grantor / Pass-through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:		
Direct programs:		
Rural Development Water System Improvement Loan	10.760	<u>1 415 635 00</u>
Total direct programs		<u>1 415 635 00</u>
U.S. Department of Housing and Urban Development:		
Pass – though program from:		
Michigan Economic Development Corporation:		
Community Development Block Grant	14.228	<u>281 254 00</u>
Total pass-through programs		<u>281 254 00</u>
Total Expenditures of Federal Awards		<u>1 696 889 00</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2006

There were no prior year findings.

There are no current year findings.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

February 24, 2007

To the Village Council
Village of Newberry
Luce County, Michigan

We have audited the financial statements of the Village of Newberry for the year ended December 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Village of Newberry in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Village Council
Village of Newberry
Luce County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated December 31, 2006.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants