

VILLAGE OF NEWBERRY
Luce County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended December 31, 2004

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, 2004	Opinion Date February 19, 2005	Date Accountant Report Submitted to State: June 24, 2005	

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
Accountant Signature Campbell, Kusterer & Co., P.C.		Zip 48707	

VILLAGE OF NEWBERRY
Luce County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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BAY CITY, MICHIGAN 48707
INDEPENDENT AUDITOR'S REPORT

February 19, 2005

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, 2004, 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, 2004, 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.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of January 1, 2004.

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2005, 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.

Our audit was conducted for the purpose of forming an opinion on the Village's basic 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, 2004

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, 2004. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at December 31, 2004, totaled approximately \$447,599.96 for governmental activities and \$2,401,135.09 for business-type activities. Of these totals, approximately \$185,210.65 and \$1,245,725.84 respectively, represent capital assets net of depreciation and related debt. Overall, net assets decreased by approximately \$1,147,603.95 from the prior year.

Overall revenues were \$3,724,018.19. Overall expenses were \$4,801,778.28.

The tax base increased by five percent (5%).

We did not incur any new debt during the year.

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, 2004

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, Atlas Park Fund, Downtown Development Fund, and the Historical Society Renovation Fund. Some activities such as the Water and Light Fund, Newberry Sewage Fund, and 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, Atlas Park, Downtown Development and Historical Society Renovation.

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 and Light, Newberry Sewage and Luce County Sewage.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Net Assets: The Village's combined net assets decreased \$1,147,603.95 during the year ended December 31, 2004, totaling \$2,848,735.05.

The decrease is mainly due to the cost of improvement to the water, sewer and electric systems, infrastructure replacement and improvements to the downtown business district, property acquisition in anticipation of new construction.

Governmental Activities: The net assets for governmental activities decreased \$194,637.48 due largely to construction of downtown street project and shortfall of revenue sharing.

Business-Type Activities: The net assets for business-type activities decreased \$952,966.47 due largely to water, electric and sewer system improvements.

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 expenses for this fiscal year include the upgrades to the Village's downtown business district.

VILLAGE OF NEWBERRY
Luce County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2004

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS (continued)

Major Streets: 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 Streets: 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 the major capital improvement project to upgrade and replace aging infrastructure in Newberry's Downtown Business District. Revenues came from a grant from USED (Federal Economic Development Authority); a grant from MEDC (State Economic Development); a grant from MDOT Road Funds (Michigan Department of Transportation); a grant from MDOT Enhancement Funds; a grant from Luce County EDC (Local Economic Development); Newberry Sewer funds, Newberry Water and Light funds, and Village General Fund appropriation. The project construction was completed in 2004. Minor checklist and project audit will be completed in 2005.

Newberry Sewage Fund: This fund is used to record revenues and expenses for the Village Sewer Fund. The revenue comes from user charges and expenses are incurred for operation, maintenance and improvements.

Water and Light Fund: This fund is used to record revenues and expenses for the Village water and electric system. The revenues come from user charges and the expenses are incurred for operation and maintenance. The Village reviewed the water charges and increased the base charge and user fees to meet USDA Rural Development loan requirements. 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 \$12,576.91. The Village also completed the paving of West Truman, the Downtown Development project. Projects in process include water system improvements, electric conversion, phase three of the sewer system inflow and infiltration project.

Long-term Debt:

Water System Bond Issue: The bond issue payments for this fiscal year totaled \$183,933.97 (\$82,000.00 principal and \$101,933.97 interest).

Newberry Sewage Bond Issue: The bond issue payments for this fiscal year totaled \$39,069.93 (\$16,268.00 principal and \$22,801.93 interest).

General Fund Bonds Payable with principal payments of \$33,000.00.

VILLAGE OF NEWBERRY
Luce County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2004

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY (continued)

Notes payable on a police car and pick-up truck with principal payments of \$10,155.08.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Village's plans for the future include street, water and sewer system improvements to West McMillan Avenue from Newberry Avenue to Tahquamenon Boulevard. The Village is committed to the improvement of the water system and the completion of the electric conversion.

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, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	250 697 63	304 291 90	554 989 53
Petty cash	100 00	50 00	150 00
Accounts receivable	-	330 156 07	330 156 07
Taxes receivable	30 240 09	-	30 240 09
Internal balances	10 143 23	(10 143 23)	-
Due from State of Michigan	64 007 26	-	64 007 26
Inventory	-	94 086 37	94 086 37
Total Current Assets	<u>355 188 21</u>	<u>718 441 11</u>	<u>1 073 629 32</u>
FIXED ASSETS:			
Capital Assets	2 409 206 76	8 245 311 41	10 654 518 17
Less: Accumulated Depreciation	(1 664 099 80)	(4 646 453 60)	(6 310 553 40)
Total Fixed Assets	<u>745 106 96</u>	<u>3 598 857 81</u>	<u>4 343 964 77</u>
OTHER ASSETS:			
Capital credits in cooperative	-	753 203 20	753 203 20
Total Other Assets	<u>-</u>	<u>753 203 20</u>	<u>753 203 20</u>
TOTAL ASSETS	<u><u>1 100 295 17</u></u>	<u><u>5 070 502 12</u></u>	<u><u>6 170 797 29</u></u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	29 710 87	265 224 03	294 934 90
Due to other units	26 474 56	-	26 474 56
Accrued interest payable	-	4 862 00	4 862 00
Total Current Liabilities	<u>56 185 43</u>	<u>270 086 03</u>	<u>326 271 46</u>
NON-CURRENT LIABILITIES:			
Notes payable	1 896 31	-	1 896 31
Bonds payable	558 000 00	2 353 132 00	2 911 132 00
Accrued compensated absences	36 613 47	46 149 00	82 762 47
Total Non-current Liabilities	<u>596 509 78</u>	<u>2 399 281 00</u>	<u>2 995 790 78</u>
Total Liabilities	<u>652 695 21</u>	<u>2 669 367 03</u>	<u>3 322 062 24</u>
NET ASSETS:			
Invested in Capital Assets,			
Net of Related Debt	185 210 65	1 245 725 81	1 430 936 46
Unrestricted	262 389 31	1 155 409 28	1 417 798 59
Total Net Assets	<u>447 599 96</u>	<u>2 401 135 09</u>	<u>2 848 735 05</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 100 295 17</u></u>	<u><u>5 070 502 12</u></u>	<u><u>6 170 797 29</u></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, 2004

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants - Contributions</u>	
Governmental Activities:				
Legislative	10 226 00	-	-	(10 226 00)
General government	208 897 28	197 715 69	-	(11 181 59)
Public safety	417 685 32	69 619 41	35 131 00	(312 934 91)
Public works	653 115 94	116 922 99	2 400 00	(533 792 95)
Other	268 262 26	-	-	(268 262 26)
Interest on long-term debt	26 519 00	-	-	(26 519 00)
Total Governmental Activities	<u>1 584 705 80</u>	<u>384 258 09</u>	<u>37 531 00</u>	<u>(1 162 916 71)</u>
Business-Type Activities:				
Water and light	2 466 742 37	1 651 504 66	-	-
Sewer	820 173 97	742 011 78	-	-
Total Business-Type Activities	<u>3 286 916 34</u>	<u>2 393 516 44</u>	<u>-</u>	<u>-</u>
Total Government	<u>4 871 622 14</u>	<u>2 777 774 53</u>	<u>37 531 00</u>	<u>(1 162 916 71)</u>
General Revenues:				
Property taxes				298 213 77
P.I.L.O.T.				18 000 00
State revenue sharing				414 002 02
Interest				4 843 31
Miscellaneous				116 419 66
Transfers				116 800 47
Total General Revenues				<u>968 279 23</u>
Change in net assets				(194 637 48)
Net assets, beginning of year				<u>642 237 44</u>
Net Assets, End of Year				<u>447 599 96</u>

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

<u>Business-Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(10 226 00)
-	(11 181 59)
-	(312 934 91)
-	(533 792 95)
-	(268 262 26)
-	(26 519 00)
-	(1 162 916 71)
(815 237 71)	(815 237 71)
(78 162 19)	(78 162 19)
(893 399 90)	(893 399 90)
(893 399 90)	(2 056 316 61)
-	298 213 77
-	18 000 00
-	414 002 02
7 769 51	12 612 82
49 464 39	165 884 05
(116 800 47)	-
(59 566 57)	908 712 66
(952 966 47)	(1 147 603 95)
3 354 101 56	3 996 339 00
<u>2 401 135 09</u>	<u>2 848 735 05</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2004

<u>Assets</u>	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Fire Operating</u>
Cash in bank	187 718 21	2 255 15	(47 947 60)	60 070 57
Petty cash	100 00	-	-	-
Taxes receivable	30 240 09	-	-	-
Due from other funds	49 086 93	24 554 35	47 137 31	-
Due from State of Michigan	<u>42 762 00</u>	<u>15 190 42</u>	<u>6 054 84</u>	<u>-</u>
Total Assets	<u>309 907 23</u>	<u>41 999 92</u>	<u>5 244 55</u>	<u>60 070 57</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	24 100 07	1 940 78	569 22	1 175 94
Due to other funds	104 532 03	6 653 96	-	20 980 20
Due to other units	-	-	-	26 474 56
Total liabilities	<u>128 632 10</u>	<u>8 594 74</u>	<u>569 22</u>	<u>48 630 70</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>181 275 13</u>	<u>33 405 18</u>	<u>4 675 33</u>	<u>11 439 87</u>
Total fund equity	<u>181 275 13</u>	<u>33 405 18</u>	<u>4 675 33</u>	<u>11 439 87</u>
Total Liabilities and Fund Equity	<u>309 907 23</u>	<u>41 999 92</u>	<u>5 244 55</u>	<u>60 070 57</u>

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

<u>Downtown Development</u>	<u>Other Funds</u>	<u>Total</u>
22 900 39	25 700 91	250 697 63
-	-	100 00
-	-	30 240 09
13 151 85	8 378 98	142 309 42
-	-	64 007 26
<u>36 052 24</u>	<u>34 079 89</u>	<u>487 354 40</u>

1 924 86	-	29 710 87
-	-	132 166 19
-	-	26 474 56
<u>1 924 86</u>	<u>-</u>	<u>188 351 62</u>

<u>34 127 38</u>	<u>34 079 89</u>	<u>299 002 78</u>
<u>34 127 38</u>	<u>34 079 89</u>	<u>299 002 78</u>
<u>36 052 24</u>	<u>34 079 89</u>	<u>487 354 40</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
December 31, 2004

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS

299 002 78

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
Accumulated depreciation

2 409 206 76
(1 664 099 80)

Long-term debt liabilities are not due and payable in the current period and
therefore are not reported in the governmental funds:

Notes payable
Bonds payable
Accrued compensated absences

(1 896 31)
(558 000 00)
(36 613 47)

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES

447 599 96

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, 2004

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Fire Operating</u>
Revenues:				
Property taxes	298 213 77	-	-	-
P.I.L.O.T.	18 000 00	-	-	-
Licenses and permits	82 50	-	-	-
Federal grant	-	-	-	-
State grant	-	-	-	33 131 00
State revenue sharing	230 702 05	127 149 60	-	2 000 00
Charges for services:			56 150 37	-
Refuse	116 922 99	-	-	-
Fire	981 00	-	-	-
Other	3 168 37	-	-	52 558 04
Interest	2 478 44	-	-	-
Reimbursements:				1 315 08
Equipment rental and overhead	197 633 19	-	-	-
Miscellaneous	110 815 42	-	-	-
			30	5 603 94
Total revenues	<u>978 997 73</u>	<u>127 149 60</u>	<u>56 150 67</u>	<u>94 608 06</u>
Expenditures:				
Legislative:				
Village Council	10 226 00	-	-	-
General government:				
Village President	9 594 59	-	-	-
Administration	20 329 81	-	-	-
Elections	1 137 30	-	-	-
Accounting	30 536 11	-	-	-
Attorney	16 561 11	-	-	-
Clerk	13 810 09	-	-	-
Audit	3 600 00	-	-	-
Treasurer	8 309 73	-	-	-
Building and grounds - garage	16 718 77	-	-	-
Building and grounds - other	8 978 91	-	-	-
Motor pool	68 180 71	-	-	-
Public safety:				
Police protection	192 333 00	-	-	-
Fire protection	-	-	-	-
Building department	2 062 55	-	-	112 969 59
Public works:				
Department of Public Works	3 177 81	-	-	-
Sidewalks	1 112 48	-	-	-
Highways and streets	-	116 653 44	174 430 74	-
Street lighting	19 096 76	-	-	-
Sewers	21 414 65	-	-	-
Sanitation	82 212 13	-	-	-
Other:				
Fringe benefits	176 587 00	-	-	-
Insurance	26 872 71	-	-	-
Retirement	38 721 22	-	-	-
Social security	26 081 33	-	-	-

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

<u>Downtown Development</u>	<u>Other Funds</u>	<u>Total</u>
-	-	298 213 77
-	-	18 000 00
-	-	82 50
-	-	33 131 00
-	2 400 00	4 400 00
-	-	414 002 02
-	-	116 922 99
-	12 912 00	66 451 04
-	-	3 168 37
874 01	175 78	4 843 31
-	-	197 633 19
-	-	116 419 66
<u>874 01</u>	<u>15 487 78</u>	<u>1 273 267 85</u>
-	-	10 226 00
-	-	9 594 59
-	-	20 329 81
-	-	1 137 30
-	-	30 536 11
-	-	16 561 11
-	-	13 810 09
-	-	3 600 00
-	-	8 309 73
-	-	16 718 77
-	-	8 978 91
-	-	68 180 71
-	-	192 333 00
-	25 824 00	138 793 59
-	-	2 062 55
-	-	3 177 81
-	-	1 112 48
206 158 41	-	497 242 59
-	-	19 096 76
-	-	21 414 65
-	-	82 212 13
-	-	176 587 00
-	-	26 872 71
-	-	38 721 22
-	-	26 081 33

VILLAGE OF NEWBERRY
Luce County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended December 31, 2004

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Fire Operating</u>
Expenditures: (continued)				
Capital outlay	12 576 91	-	-	-
Debt service	<u>69 674 08</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>879 905 76</u>	<u>116 653 44</u>	<u>174 430 74</u>	<u>112 969 59</u>
Excess (deficiency) of revenues over expenditures	<u>99 091 97</u>	<u>10 496 16</u>	<u>(118 280 07)</u>	<u>(18 361 53)</u>
Other financing sources (uses):				
Operating transfers in	918 72	-	122 955 40	18 361 53
Operating transfers out	<u>(122 441 53)</u>	<u>(31 787 40)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(121 522 81)</u>	<u>(31 787 40)</u>	<u>122 955 40</u>	<u>18 361 53</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(22 430 84)	(21 291 24)	4 675 33	-
Fund balances, January 1	<u>203 705 97</u>	<u>54 696 42</u>	<u>-</u>	<u>11 439 87</u>
Fund Balances, December 31	<u><u>181 275 13</u></u>	<u><u>33 405 18</u></u>	<u><u>4 675 33</u></u>	<u><u>11 439 87</u></u>

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

<u>Downtown Development</u>	<u>Other Funds</u>	<u>Total</u>
-	-	12 576 91
-	-	69 674 08
<u>206 158 41</u>	<u>25 824 00</u>	<u>1 515 941 94</u>
<u>(205 284 40)</u>	<u>(10 336 22)</u>	<u>(242 674 09)</u>
116 800 47	12 912 00	271 948 12
-	(918 72)	(155 147 65)
<u>116 800 47</u>	<u>11 993 28</u>	<u>116 800 47</u>
(88 483 93)	1 657 06	(125 873 62)
<u>122 611 31</u>	<u>32 422 83</u>	<u>424 876 40</u>
<u>34 127 38</u>	<u>34 079 89</u>	<u>299 002 78</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, 2004

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (125 873 62)

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	(124 495 85)
Capital Outlay	12 576 91

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	<u>43 155 08</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(194 637 48)</u></u>
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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, 2004

<u>Assets</u>	<u>Water and Light Board</u>	<u>Newberry Sewage</u>	<u>Luce County Sewage</u>	<u>Total</u>
Current assets:				
Cash in bank	212 904 95	53 565 91	37 821 04	304 291 90
Petty cash	50 00	-	-	50 00
Accounts receivable	188 567 14	25 647 17	115 941 76	330 156 07
Internal balances	(26 685 37)	5 298 07	11 244 07	(10 143 23)
Inventory	84 578 83	-	9 507 54	94 086 37
Total current assets	<u>459 415 55</u>	<u>84 511 15</u>	<u>174 514 41</u>	<u>718 441 11</u>
Fixed assets:				
Plant, property and equipment	5 697 653 62	2 504 144 72	43 513 07	8 245 311 41
Accumulated depreciation	<u>(3 436 390 37)</u>	<u>(1 172 527 21)</u>	<u>(37 536 02)</u>	<u>(4 646 453 60)</u>
Net fixed assets	<u>2 261 263 25</u>	<u>1 331 617 51</u>	<u>5 977 05</u>	<u>3 598 857 81</u>
Other assets:				
Capital credits in cooperative	<u>753 203 20</u>	<u>-</u>	<u>-</u>	<u>753 203 20</u>
Total other assets	<u>753 203 20</u>	<u>-</u>	<u>-</u>	<u>753 203 20</u>
Total Assets	<u>3 473 882 00</u>	<u>1 416 128 66</u>	<u>180 491 46</u>	<u>5 070 502 12</u>
<u>Liabilities and Net Assets</u>				
Liabilities:				
Accounts payable	195 274 92	60 982 51	8 966 60	265 224 03
Accrued interest payable	-	4 862 00	-	4 862 00
Accrued compensated absences	28 009 94	-	18 139 06	46 149 00
Bonds payable	<u>2 137 000 00</u>	<u>216 132 00</u>	<u>-</u>	<u>2 353 132 00</u>
Total liabilities	<u>2 360 284 86</u>	<u>281 976 51</u>	<u>27 105 66</u>	<u>2 669 367 03</u>
Net assets:				
Invested in capital assets, net of related debt	124 263 25	1 115 485 51	5 977 05	1 245 725 81
Unrestricted	<u>989 333 89</u>	<u>18 666 64</u>	<u>147 408 75</u>	<u>1 155 409 28</u>
Total net assets	<u>1 113 597 14</u>	<u>1 134 152 15</u>	<u>153 385 80</u>	<u>2 401 135 09</u>
Total Liabilities and Net Assets	<u>3 473 882 00</u>	<u>1 416 128 66</u>	<u>180 491 46</u>	<u>5 070 502 12</u>

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

VILLAGE OF NEWBERRY
Luce County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
ALL PROPRIETARY FUNDS
Year ended December 31, 2004

	<u>Water and Light Board</u>	<u>Newberry Sewage</u>	<u>Luce County Sewage</u>	<u>Total</u>
Operating revenues:				
Charges for services	1 651 504 66	378 479 88	363 531 90	2 393 516 44
Miscellaneous	43 940 21	-	5 524 18	49 464 39
Total operating revenues	<u>1 695 444 87</u>	<u>378 479 88</u>	<u>369 056 08</u>	<u>2 442 980 83</u>
Operating expenses:				
Wages	306 858 50	-	118 328 27	425 186 77
Benefits	180 638 86	-	93 307 44	273 946 30
Repairs and maintenance	39 804 41	-	6 425 13	46 229 54
Contracted services	838 578 95	403 148 27	14 711 21	1 256 438 43
Supplies	203 307 32	-	47 350 73	250 658 05
Professional fees	4 463 54	-	-	4 463 54
Utilities	591 593 21	-	48 697 29	640 290 50
Insurance	21 809 62	-	13 420 52	35 230 14
Miscellaneous	57 972 40	-	587 84	58 560 24
Total operating expenses before depreciation	<u>2 245 026 81</u>	<u>403 148 27</u>	<u>342 828 43</u>	<u>2 991 003 51</u>
Operating income before depreciation	(549 581 94)	(24 668 39)	26 227 65	(548 022 68)
Less: depreciation	<u>(119 781 59)</u>	<u>(50 191 11)</u>	<u>(1 204 23)</u>	<u>(171 176 93)</u>
Operating income (loss)	<u>(669 363 53)</u>	<u>(74 859 50)</u>	<u>25 023 42</u>	<u>(719 199 61)</u>
Other income and (expense):				
Interest income	6 359 74	920 79	488 98	7 769 51
Interest expense and fees	(101 933 97)	(22 801 93)	-	(124 735 90)
Transfers to other funds	-	(116 800 47)	-	(116 800 47)
Net other income and (expense)	<u>(95 574 23)</u>	<u>(138 681 61)</u>	<u>488 98</u>	<u>(233 766 86)</u>
Net income (loss)	(764 937 76)	(213 541 11)	25 512 40	(952 966 47)
Net assets, January 1	<u>1 878 534 90</u>	<u>1 347 693 26</u>	<u>127 873 40</u>	<u>3 354 101 56</u>
Net Assets, December 31	<u>1 113 597 14</u>	<u>1 134 152 15</u>	<u>153 385 80</u>	<u>2 401 135 09</u>

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

VILLAGE OF NEWBERRY
Luce County, Michigan

STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUNDS
Year ended December 31, 2004

	<u>Water and Light Board</u>	<u>Newberry Sewage</u>	<u>Luce County Sewage</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers	1 614 143 31	367 300 05	332 037 19	2 313 480 55
Cash payments to suppliers for goods and services	(1 966 400 10)	(346 314 76)	(217 221 50)	(2 529 936 36)
Cash payments to employees for services	(307 345 62)	-	(118 624 31)	(425 969 93)
Other operating revenues	<u>43 940 21</u>	<u>-</u>	<u>5 524 18</u>	<u>49 464 39</u>
Net cash provided (used) for operating activities	<u>(615 662 20)</u>	<u>20 985 29</u>	<u>1 715 56</u>	<u>(592 961 35)</u>
Cash flows from non-capital financing activities:				
Net borrowings (repayments) with other funds	26 685 37	117 332 46	(1 529 46)	142 488 37
Transfers from (to) other funds	<u>-</u>	<u>(116 800 47)</u>	<u>-</u>	<u>(116 800 47)</u>
Net cash provided (used) for non- capital financing activities	<u>26 685 37</u>	<u>531 99</u>	<u>(1 529 46)</u>	<u>25 687 90</u>
Cash flows from capital and related financing activities:				
Principal paid on revenue bond maturities and equipment contracts	(82 000 00)	(16 268 00)	-	(98 268 00)
Interest paid on revenue bonds and equipment contracts	<u>(101 933 97)</u>	<u>(22 801 93)</u>	<u>-</u>	<u>(124 735 90)</u>
Net cash provided (used) for capital and related financing activities	<u>(183 933 97)</u>	<u>(39 069 93)</u>	<u>-</u>	<u>(223 003 90)</u>
Cash flows from investing activities:				
Interest income	<u>6 359 74</u>	<u>920 79</u>	<u>488 98</u>	<u>7 769 51</u>
Net cash provided (used) for investing activities	<u>6 359 74</u>	<u>920 79</u>	<u>488 98</u>	<u>7 769 51</u>
Net increase (decrease) in cash and cash equivalents	(766 551 06)	(16 631 86)	675 08	(782 507 84)
Cash and cash equivalents, January 1	<u>979 506 01</u>	<u>70 197 77</u>	<u>37 145 96</u>	<u>1 086 849 74</u>
Cash and Cash Equivalents, December 31	<u><u>212 954 95</u></u>	<u><u>53 565 91</u></u>	<u><u>37 821 04</u></u>	<u><u>304 341 90</u></u>

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

VILLAGE OF NEWBERRY
Luce County, Michigan

STATEMENT OF CASH FLOWS – ALL PROPRIETARY FUNDS
Year ended December 31, 2004

	<u>Water and Light Board</u>	<u>Newberry Sewage</u>	<u>Luce County Sewage</u>	<u>Total</u>
Reconciliation of operating income to net cash provided (used) for operating activities:				
Operating income (loss)	(669 363 53)	(74 859 50)	25 023 42	(719 199 61)
Depreciation	119 781 59	50 191 11	1 204 23	171 176 93
Increase (decrease) in assets and liabilities:				
Accounts receivable	(37 361 35)	(11 179 83)	(31 494 71)	(80 035 89)
Other assets	1 041 96	-	6 996 78	8 038 74
Accounts payable	(29 273 75)	56 833 51	281 88	27 841 64
Accrued expenses	(487 12)	-	(296 04)	(783 16)
Net Cash Provided (Used) for Operating Activities	<u>(615 662 20)</u>	<u>20 985 29</u>	<u>1 715 56</u>	<u>(592 961 35)</u>

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

VILLAGE OF NEWBERRY
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

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, 2004

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 2004 tax roll millage rate was 18.0280 mills, and the taxable value was \$16,541,700.00.

VILLAGE OF NEWBERRY
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

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 and Water and Light Funds and totaled \$92,501.85 during the year ended December 31, 2004.

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.

Accounting Change

Effective January 1, 2004, the Village implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Village's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Village's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Village's activities have been provided.

VILLAGE OF NEWBERRY
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Accounting Change (continued)

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$745,106.96.

Note 2 – 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 3 – 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, 2004

Note 3 – 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>554 989 53</u>

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

	<u>Bank Balances</u>
Insured (FDIC)	251 287 38
Uninsured and Uncollateralized	<u>402 599 07</u>
Total Deposits	<u>653 886 45</u>

The Village of Newberry did not have any investments as of December 31, 2004.

Note 4 – Capital Assets

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

	<u>Balance 1/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/04</u>
<u>Governmental Activities:</u>				
Buildings and improvements	768 527 00	9 985 15	-	778 512 15
Vehicles and equipment	<u>1 628 102 85</u>	<u>2 591 76</u>	-	<u>1 630 694 61</u>
Total	2 396 629 85	12 576 91	-	2 409 206 76
Accumulated Depreciation	<u>(1 539 603 95)</u>	<u>(124 495 85)</u>	-	<u>(1 664 099 80)</u>
Net Governmental Capital Assets	<u>857 025 90</u>	<u>(111 918 94)</u>	-	<u>745 106 96</u>
<u>Business-Type Activities:</u>				
Water and Light System	5 697 653 62	-	-	5 697 653 62
Sewer Systems	<u>2 547 657 79</u>	-	-	<u>2 547 657 79</u>
Total	8 245 311 41	-	-	8 245 311 41
Accumulated Depreciation	<u>(4 475 276 67)</u>	<u>(171 176 93)</u>	-	<u>(4 646 453 60)</u>
Net Business Type Capital Assets	<u>3 770 034 74</u>	<u>(171 176 93)</u>	-	<u>3 598 857 81</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 5 – 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>
Newberry Sewage	<u>20 136 04</u>	Water and Light	<u>20 136 04</u>
Fire Capital	<u>8 378 98</u>	General	<u>8 378 98</u>
General	<u>21 557 40</u>	Luce County Sewage	<u>21 557 40</u>
General	<u>20 980 20</u>	Fire Operating	<u>20 980 20</u>
Major Street	<u>24 554 35</u>	General	<u>24 554 35</u>
Local Street	<u>40 483 35</u>	General	<u>40 483 35</u>
Luce County Sewage	<u>32 801 47</u>	Newberry Sewage	<u>32 801 47</u>
Local Street	<u>6 653 96</u>	Major Street	<u>6 653 96</u>
Newberry Sewage	<u>17 963 50</u>	General	<u>17 963 50</u>
Downtown Development	<u>13 151 85</u>	General	<u>13 151 85</u>
General	<u>6 549 33</u>	Water and Light	<u>6 549 33</u>
Total	<u>213 210 43</u>	Total	<u>213 210 43</u>

Note 6 – Changes in Long-Term Debt – Governmental Activities

A summary of changes in long-term debt follows:

	<u>Balance 1/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/04</u>
Accrued compensated absences	21 772 59	14 840 88	-	36 613 47
Note payable – police car	4 719 86	-	4 719 86	-
Note payable – pickup	7 331 53	-	5 435 22	1 896 31
2002 General Obligation Bonds	<u>591 000 00</u>	<u>-</u>	<u>33 000 00</u>	<u>558 000 00</u>
Total	<u>624 823 98</u>	<u>14 840 88</u>	<u>43 155 08</u>	<u>596 509 78</u>

Note 7 – Note Payable – Police Car

On August 10, 2001, the Village obtained a loan of \$22,411.00 from a bank for the purpose of purchasing a new police car. The loan beared interest at the rate of 6.90% per annum and was due in 36 monthly installments of \$689.83 including interest. The principal balance was paid in full in the year ended December 31, 2004.

VILLAGE OF NEWBERRY
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 8 – Note Payable – Pickup

On April 24, 2001, the Village obtained a \$20,120.00 loan from a bank for the purchase of a pickup truck. The loan bears interest at the rate of 6.90% and is due in 48 monthly installments of \$481.03 including interest. As of December 31, 2004, the principal balance outstanding on the loan was \$1,896.31.

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 Water and Light Board Fund, and is recorded directly in the Water and Light Board 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>
5/1/2005				
11/1/2005			20 910 00	20 910 00
5/1/2006	4.4%	55 000 00	20 910 00	75 910 00
11/1/2006			19 700 00	19 700 00
5/1/2007	4.4%	55 000 00	19 700 00	74 700 00
11/1/2007			18 490 00	18 490 00
5/1/2008	4.4%	60 000 00	18 490 00	78 490 00
11/1/2008			17 170 00	17 170 00
5/1/2009	4.4%	60 000 00	17 170 00	77 170 00
11/1/2009			15 850 00	15 850 00
5/1/2010	4.4%	65 000 00	15 850 00	80 850 00
11/1/2010			14 420 00	14 420 00
5/1/2011	4.4%	65 000 00	14 420 00	79 420 00
11/1/2011			12 990 00	12 990 00
5/1/2012	4.4%	70 000 00	12 990 00	82 990 00
11/1/2012			11 450 00	11 450 00
5/1/2013	4.4%	75 000 00	11 450 00	86 450 00
11/1/2013			9 800 00	9 800 00
5/1/2014	4.4%	75 000 00	9 800 00	84 800 00
11/1/2014			8 150 00	8 150 00
5/1/2015	4.5%	80 000 00	8 150 00	88 150 00
11/1/2015			6 350 00	6 350 00
5/1/2016	4.6%	85 000 00	6 350 00	91 350 00
11/1/2016			4 395 00	4 395 00
5/1/2017	4.7%	90 000 00	4 395 00	94 395 00
11/1/2017			2 280 00	2 280 00
	4.8%	95 000 00	2 280 00	97 280 00
Totals		<u>930 000 00</u>	<u>323 910 00</u>	<u>1 253 910 00</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

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 the Water and Light Board 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>
5/1/2005				
11/1/2005	4.35%	30 000 00	19 513 75	19 513 75
5/1/2006			19 513 75	49 513 75
11/1/2006	4.35%	30 000 00	18 861 25	18 861 25
5/1/2007			18 861 25	48 861 25
11/1/2007	4.35%	35 000 00	18 208 75	18 208 75
5/1/2008			18 208 75	53 208 75
11/1/2008	4.35%	35 000 00	17 447 50	17 447 50
5/1/2009			17 447 50	52 447 50
11/1/2009	4.35%	35 000 00	16 686 25	16 686 25
5/1/2010			16 686 25	51 686 25
11/1/2010	4.35%	40 000 00	15 925 00	15 925 00
5/1/2011			15 925 00	55 925 00
11/1/2011	4.35%	40 000 00	15 055 00	15 055 00
5/1/2012			15 055 00	55 055 00
11/1/2012	4.35%	40 000 00	14 185 00	14 185 00
5/1/2013			14 185 00	54 185 00
11/1/2013	4.40%	45 000 00	13 315 00	13 315 00
5/1/2014			13 315 00	58 315 00
11/1/2014	4.50%	45 000 00	12 325 00	12 325 00
5/1/2015			12 325 00	57 325 00
11/1/2015	4.60%	50 000 00	11 312 50	11 312 50
5/1/2016			11 312 50	61 312 50
11/1/2016	4.75%	50 000 00	10 162 50	10 162 50
5/1/2017			10 162 50	60 162 50
11/1/2017	4.90%	50 000 00	8 975 00	8 975 00
5/1/2018			8 975 00	58 975 00
11/1/2018	5.00%	55 000 00	7 750 00	7 750 00
5/1/2019			7 750 00	62 750 00
11/1/2019	5.10%	60 000 00	6 375 00	6 375 00
5/1/2020			6 375 00	66 375 00
11/1/2020	5.10%	60 000 00	4 845 00	4 845 00
5/1/2021			4 845 00	64 845 00
11/1/2021	5.10%	65 000 00	3 315 00	3 315 00
5/1/2022			3 315 00	68 315 00
11/1/2022	5.10%	65 000 00	1 657 50	1 657 50
		<u>65 000 00</u>	<u>1 657 50</u>	<u>66 657 50</u>
Totals		<u>830 000 00</u>	<u>431 830 00</u>	<u>1 261 830 00</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

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, 2004, the Village's portion of outstanding bond principal amounted to \$216,132.00 which 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, 2005	5%	16,849 00	5,403 00	22,252 00
September 1, 2005			4,982 00	4,982 00
March 1, 2006	5%	17,430 00	4,982 00	22,412 00
September 1, 2006			4,546 00	4,546 00
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%	18,592 00	465 00	19,057 00
Totals		<u>216,132 00</u>	<u>65,681 00</u>	<u>281,813 00</u>

Note 12 – Water and Light 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, 2004, the outstanding bond principal amounted to \$935,000.00 which is recorded in the Village's Water and Light Board 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, 2004

Note 12 – Water and Light Fund Bonds Payable (continued)

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
5/1/2005				
11/1/2005	2.000%	35,000 00	19,735.00	19,735.00
5/1/2006			19,735.00	54,735.00
11/1/2006	2.500%	35,000 00	19,385.00	19,385.00
5/1/2007			19,385.00	54,385.00
11/1/2007	2.500%	35,000 00	18,947.50	18,947.50
5/1/2008			18,947.50	53,947.50
11/1/2008	3.000%	40,000 00	18,510.00	18,510.00
5/1/2009			18,510.00	58,510.00
11/1/2009	3.100%	40,000 00	17,910.00	17,910.00
5/1/2010			17,910.00	57,910.00
11/1/2010	3.500%	40,000 00	17,290.00	17,290.00
5/1/2011			17,290.00	57,290.00
11/1/2011	3.750%	40,000 00	16,590.00	16,590.00
5/1/2012			16,590.00	56,590.00
11/1/2012	4.000%	45,000 00	15,840.00	15,840.00
5/1/2013			15,840.00	60,840.00
11/1/2013	4.100%	45,000 00	14,940.00	14,940.00
5/1/2014			14,940.00	59,940.00
11/1/2014	4.300%	45,000 00	14,017.50	14,017.50
5/1/2015			14,017.50	59,017.50
11/1/2015	4.400%	50,000 00	13,050.00	13,050.00
5/1/2016			13,050.00	63,050.00
11/1/2016	4.500%	50,000 00	11,950.00	11,950.00
5/1/2017			11,950.00	61,950.00
11/1/2017	4.700%	55,000 00	10,825.00	10,825.00
5/1/2018			10,825.00	65,825.00
11/1/2018	4.800%	55,000 00	9,532.50	9,532.50
5/1/2019			9,532.50	64,532.50
11/1/2019	5.000%	60,000 00	8,212.50	8,212.50
5/1/2020			8,212.50	68,212.50
11/1/2020	5.000%	60,000 00	6,712.50	6,712.50
5/1/2021			6,712.50	66,712.50
11/1/2021	5.000%	65,000 00	5,212.50	5,212.50
5/1/2022			5,212.50	70,212.50
11/1/2022	5.125%	70,000 00	3,587.50	3,587.50
5/1/2023			3,587.50	73,587.50
11/1/2023	5.125%	70,000 00	1,793.75	1,793.75
Totals		<u>935,000 00</u>	<u>488,082 50</u>	<u>1 423 082 50</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 13 – 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 14 – 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, 2004, the Village's actual pension cost of \$98,986.37, amounted to 13.3% of covered payroll of \$743,354.80. Total gross payroll was \$780,601.11.

Components of the Actuarial Accrued Liability at December 31, 2002, the last date of Annual Actuarial Valuation, are as follows:

Actuarial Accrued Liability	
Retirees and beneficiaries currently receiving benefits	\$1,564,872.00
Terminated employees not yet receiving benefits	\$60,444.00
Current employees contributions – including allocated investment income	\$22,679.00
Employer financed contributions – including allocated investment income	\$1,214,767.00
Total Actuarial Accrued Liability	\$2,862,762.00

VILLAGE OF NEWBERRY
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 14 – Michigan Employees Retirement System of Michigan (continued)

Net Assets Available for Benefits at Actuarial Value
(Market Value was \$1,827,386.00)

\$2,299,682.00

Unfunded Actuarial Accrued Liability

\$563,080.00

For the fiscal year ending December 31, 2004, the Annual Required Contribution is \$94,344.00. The Amortization Factor Used was 0.053632.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2002, actuarial valuation.

Three year trend information of aggregate accrued liabilities follows:

	<u>1999</u>	<u>2000</u>	<u>2001</u>
Accrued liabilities	2 275 998 00	2 631 351 00	2 777 191 00
Valuation Assets	2 085 722 00	2 235 749 00	2 310 415 00
Funded Percent	92%	85%	83%
Unfunded Actuarial Liability	190 276 00	395 602 00	466 776 00
Unfunded Actuarial Liability as a % of Annual Covered Payroll	37%	61%	66%

Note 15 – 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.

Note 16 – 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, 2004, is as follows:

	<u>Water and Light Board Fund</u>	<u>Newberry Sewage Fund</u>	<u>Luce County Sewage Fund</u>
Operating revenues	1 695 444 87	378 479 88	369 056 08
Operating expenses	2 245 026 81	403 148 27	342 828 43
Depreciation expense	119 781 59	50 191 11	1 204 23
Net income (loss)	(764 937 76)	(213 541 11)	25 512 40
Total assets	3 473 882 00	1 416 128 66	180 491 46

VILLAGE OF NEWBERRY
Luce County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 16 – Segment Information for Enterprise Funds (continued)

	<u>Water and Light Board Fund</u>	<u>Newberry Sewage Fund</u>	<u>Luce County Sewage Fund</u>
Plant, property and equipment: Additions (deletions)	-	-	-
Net working capital	264 140 63	18 666 64	165 548 31
Bonds payable	2 137 000 00	216 132 00	-
Total equity	1 113 597 14	1 134 152 15	153 385 80

Note 17 – Transfers In and Transfers Out

For the fiscal year ended, December 31, 2004, the Village made the following interfund transfers:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Downtown Development	116 800 47	Newberry Sewage	116 800 47
Local Streets	91 168 00	General	91 168 00
Local Streets	31 787 40	Major Streets	31 787 40
Fire Capital	12 912 00	General	12 912 00
Fire Operating	18 361 53	General	18 361 53
General	918 72	Atlas Park	918 72
Total	<u>271 948 12</u>	Total	<u>271 948 12</u>

Note 18 – Capital Credits in Cooperative

The Village of Newberry Water and Light Board Fund purchases electricity for resale from Cloverland Electric Co-op. Due to operating surpluses by the cooperative, the Village of Newberry Water and Light Board Fund receives patronage capital credits. During the current year the Village received \$37,541.70 in capital credit distributions. As of December 31, 2004, the Village had capital credits outstanding of \$753,203.20. This amount is credited to the capital account of the Cooperative for the Village of Newberry Water and Light Board 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 Water and Light Board 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, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	263 500 00	291 800 00	298 213 77	6 413 77
P.I.L.O.T.	18 000 00	19 500 00	18 000 00	(1 500 00)
Licenses and permits	100 00	50 00	82 50	32 50
State revenue sharing	243 853 00	231 950 00	230 702 05	(1 247 95)
Charges for services:				
Refuse	138 085 00	110 985 00	116 922 99	5 937 99
Fire	980 00	980 00	981 00	1 00
Other	5 000 00	3 100 00	3 168 37	68 37
Interest	3 600 00	2 300 00	2 478 44	178 44
Reimbursements:				
Equipment rental and overhead	117 000 00	197 500 00	197 633 19	133 19
Miscellaneous	96 285 00	70 235 00	110 815 42	40 580 42
Total revenues	886 403 00	928 400 00	978 997 73	50 597 73
Expenditures:				
Legislative:				
Village Council	8 650 00	10 400 00	10 226 00	(174 00)
General government:				
Village President	7 000 00	9 800 00	9 594 59	(205 41)
Administration	26 725 00	21 932 00	20 329 81	(1 602 19)
Elections	970 00	1 145 00	1 137 30	(7 70)
Accounting	38 570 00	35 195 00	30 536 11	(4 658 89)
Attorney	24 970 00	16 770 00	16 561 11	(208 89)
Clerk	10 100 00	14 000 00	13 810 09	(189 91)
Audit	3 600 00	3 600 00	3 600 00	-
Treasurer	9 175 00	9 175 00	8 309 73	(865 27)
Building and grounds – garage	10 075 00	17 225 00	16 718 77	(506 23)
Building and grounds – other	9 850 00	9 100 00	8 978 91	(121 09)
Motor pool	52 250 00	69 000 00	68 180 71	(819 29)
Public safety:				
Police protection	195 527 00	193 000 00	192 333 00	(667 00)
Building department	2 000 00	2 085 00	2 062 55	(22 45)
Public works:				
Department of Public Works	1 850 00	3 350 00	3 177 81	(172 19)
Sidewalks	2 500 00	1 150 00	1 112 48	(37 52)
Street lighting	15 820 00	19 120 00	19 096 76	(23 24)
Sewers	23 200 00	21 550 00	21 414 65	(135 35)
Sanitation	96 734 00	87 234 00	82 212 13	(5 021 87)
Other:				
Fringe benefits	186 667 00	177 564 00	176 587 00	(977 00)
Insurance	38 000 00	27 200 00	26 872 71	(327 29)
Retirement	45 000 00	38 800 00	38 721 22	(78 78)
Social security	28 860 00	26 110 00	26 081 33	(28 67)
Capital outlay	9 330 00	13 265 00	12 576 91	(688 09)
Debt service	60 448 00	69 848 00	69 674 08	(173 92)
Total expenditures	907 871 00	897 618 00	879 905 76	(17 712 24)

VILLAGE OF NEWBERRY
Luce County, Michigan

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year ended December 31, 2004

	<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>(21 468 00)</u>	<u>30 782 00</u>	<u>99 091 97</u>	<u>68 309 97</u>
Other financing sources (uses):				
Operating transfers in	25 000 00	25 000 00	918 72	(24 081 28)
Operating transfers out	<u>(68 532 00)</u>	<u>(126 782 00)</u>	<u>(122 441 53)</u>	<u>4 340 47</u>
Total other financing sources (uses)	<u>(43 532 00)</u>	<u>(101 782 00)</u>	<u>(121 522 81)</u>	<u>(19 740 81)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(65 000 00)	(71 000 00)	(22 430 84)	48 569 16
Fund balance, January 1	<u>65 000 00</u>	<u>71 000 00</u>	<u>203 705 97</u>	<u>132 705 97</u>
Fund Balance, December 31	<u>-</u>	<u>-</u>	<u>181 275 13</u>	<u>181 275 13</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND
Year ended December 31, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
State shared revenue	<u>116 200 00</u>	<u>126 200 00</u>	<u>127 149 60</u>	<u>949 60</u>
Total revenues	<u>116 200 00</u>	<u>126 200 00</u>	<u>127 149 60</u>	<u>949 60</u>
Expenditures:				
Public works:				
Highways and streets:				
Routine maintenance	21 820 00	44 970 00	43 640 06	(1 329 94)
Winter maintenance	41 300 00	48 500 00	48 274 04	(225 96)
Administration	14 850 00	22 250 00	22 099 14	(150 86)
Trunkline maintenance	<u>8 130 00</u>	<u>3 030 00</u>	<u>2 640 20</u>	<u>(389 80)</u>
Total expenditures	<u>86 100 00</u>	<u>118 750 00</u>	<u>116 653 44</u>	<u>(2 096 56)</u>
Excess (deficiency) of revenues over expenditures	<u>30 100 00</u>	<u>7 450 00</u>	<u>10 496 16</u>	<u>3 046 16</u>
Other financing sources (uses):				
Operating transfers out	<u>(30 100 00)</u>	<u>(30 100 00)</u>	<u>(31 787 40)</u>	<u>(1 687 40)</u>
Total other financing sources (uses)	<u>(30 100 00)</u>	<u>(30 100 00)</u>	<u>(31 787 40)</u>	<u>(1 687 40)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	(22 650 00)	(21 291 24)	1 358 76
Fund balance, January 1	-	<u>22 850 00</u>	<u>54 696 42</u>	<u>31 846 42</u>
Fund Balance, December 31	<u>-</u>	<u>200 00</u>	<u>33 405 18</u>	<u>33 205 18</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND
Year ended December 31, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
State shared revenue	54 952 00	54 952 00	56 150 37	1 198 37
Miscellaneous	-	-	30	30
Total revenues	<u>54 952 00</u>	<u>54 952 00</u>	<u>56 150 67</u>	<u>1 198 67</u>
Expenditures:				
Public works:				
Highways and streets:				
Construction	45 00	45 00	-	(45 00)
Routine maintenance	48 480 00	66 780 00	65 916 37	(863 63)
Winter maintenance	55 745 00	87 145 00	86 446 99	(698 01)
Administration	13 850 00	22 250 00	22 067 38	(182 62)
Total expenditures	<u>118 120 00</u>	<u>176 220 00</u>	<u>174 430 74</u>	<u>(1 789 26)</u>
Excess (deficiency) of revenues over expenditures	<u>(63 168 00)</u>	<u>(121 268 00)</u>	<u>(118 280 07)</u>	<u>2 987 93</u>
Other financing sources (uses):				
Operating transfers in	63 168 00	121 268 00	122 955 40	1 687 40
Total other financing sources (uses)	<u>63 168 00</u>	<u>121 268 00</u>	<u>122 955 40</u>	<u>1 687 40</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	-	4 675 33	4 675 33
Fund balance, January 1	-	-	-	-
Fund Balance, December 31	<u>-</u>	<u>-</u>	<u>4 675 33</u>	<u>4 675 33</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE OPERATING FUND
Year ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Federal grant	1 000 00	33 000 00	33 131 00	131 00
State grant	1 000 00	2 000 00	2 000 00	-
Charges for services	49 034 00	48 834 00	52 558 04	3 724 04
Interest	549 00	749 00	1 315 08	566 08
Miscellaneous	-	5 000 00	5 603 94	603 94
<u>Total revenues</u>	<u>51 583 00</u>	<u>89 583 00</u>	<u>94 608 06</u>	<u>5 025 06</u>
Expenditures:				
Fire protection	98 100 00	136 100 00	112 969 59	(23 130 41)
<u>Total expenditures</u>	<u>98 100 00</u>	<u>136 100 00</u>	<u>112 969 59</u>	<u>(23 130 41)</u>
Excess (deficiency) of revenues over expenditures	<u>(46 517 00)</u>	<u>(46 517 00)</u>	<u>(18 361 53)</u>	<u>28 155 47</u>
Other financing sources (uses):				
Operating transfers in	16 517 00	16 517 00	18 361 53	1 844 53
<u>Total other financing sources (uses)</u>	<u>16 517 00</u>	<u>16 517 00</u>	<u>18 361 53</u>	<u>1 844 53</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(30 000 00)</u>	<u>(30 000 00)</u>	<u>-</u>	<u>30 000 00</u>
Fund balance, January 1	30 000 00	30 000 00	11 439 87	(18 560 13)
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 – DOWNTOWN DEVELOPMENT FUND
Year ended December 31, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Grants	189 287 00	189 287 00	-	(189 287 00)
Interest	-	-	874 01	874 01
Total revenues	<u>189 287 00</u>	<u>189 287 00</u>	<u>874 01</u>	<u>(188 412 99)</u>
Expenditures:				
Public works:				
Highways and streets	<u>189 287 00</u>	<u>289 287 00</u>	<u>206 158 41</u>	<u>(83 128 59)</u>
Total expenditures	<u>189 287 00</u>	<u>289 287 00</u>	<u>206 158 41</u>	<u>(83 128 59)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(100 000 00)</u>	<u>(205 284 40)</u>	<u>(105 284 40)</u>
Other financing sources (uses):				
Operating transfers in	-	-	116 800 47	116 800 47
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>116 800 47</u>	<u>116 800 47</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>-</u>	<u>(100 000 00)</u>	<u>(88 483 93)</u>	<u>11 516 07</u>
Fund balance, January 1	<u>-</u>	<u>100 000 00</u>	<u>122 611 31</u>	<u>22 611 31</u>
Fund Balance, December 31	<u>-</u>	<u>-</u>	<u>34 127 38</u>	<u>34 127 38</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended December 31, 2004

Village Council:	
Salaries	7 925 00
Dues	<u>2 301 00</u>
	10 226 00
Village President:	
Salary	4 125 00
Miscellaneous	<u>5 469 59</u>
	9 594 59
Administration:	
Wages	
Travel	20 127 38
	<u>202 43</u>
	20 329 81
Elections:	
Wages	
Miscellaneous	392 00
	<u>745 30</u>
	1 137 30
Accounting:	
Wages	
Office supplies	23 501 29
Contracted services	2 707 49
Telephone	1 973 50
	<u>2 353 83</u>
	30 536 11
Attorney:	
Contracted services	
Supplies	15 501 12
Miscellaneous	829 99
	<u>230 00</u>
	16 561 11
Clerk:	
Salary	
Printing and publishing	4 841 16
Office supplies	8 922 95
	<u>45 98</u>
	13 810 09
Audit	
	<u>3 600 00</u>
Treasurer:	
Salary	
Postage	5 116 08
Tax roll preparation	922 50
	<u>2 271 15</u>
	8 309 73
Building and grounds – garage:	
Electricity	
Heating	3 185 99
Supplies	6 001 65
Repairs and maintenance	454 73
	<u>7 076 40</u>
	16 718 77
Building and grounds – other:	
Wages	
Contracted services	7 912 87
	<u>1 066 04</u>
	8 978 91

VILLAGE OF NEWBERRY
Luce County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended December 31, 2004

Motor pool:	
Wages	21 608 07
Tools and supplies	2 429 81
Gas, oil and grease	15 001 23
Rent	11 465 63
Equipment and vehicle maintenance	16 850 66
Telephone	825 31
	<u>68 180 71</u>
Police protection:	
Salaries and wages	96 046 31
Hospitalization	64 751 02
Retirement	16 461 41
Office supplies	239 63
Tools and supplies	497 35
Uniforms	297 57
Laundry	250 00
Gasoline	3 477 54
Crossing guard	2 666 14
Telephone	1 665 48
Vehicle maintenance	1 595 06
Insurance	2 289 19
Miscellaneous	2 096 30
	<u>192 333 00</u>
Building department:	
Contracted services	2 062 55
	<u>3 177 81</u>
Department of Public Works:	
Supplies	1 112 48
	<u>19 096 76</u>
Sidewalks:	
Supplies	9 995 69
	4 093 40
	<u>7 325 56</u>
Street lighting	21 414 65
	<u>24 056 25</u>
Sewers:	
Wages	58 041 55
Supplies	114 33
Contracted services	82 212 13
	<u>176 587 00</u>
Sanitation:	
Wages	
Contracted services	
Supplies	
Fringe benefits:	
Hospitalization, life, holiday, sick and vacation	

VILLAGE OF NEWBERRY
Luce County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended December 31, 2004

Insurance	<u>26 872 71</u>
Retirement	<u>38 721 22</u>
Social security	<u>26 081 33</u>
Capital outlay	<u>12 576 91</u>
Debt service	<u>69 674 08</u>
Total Expenditures	<u>879 905 76</u>

VILLAGE OF NEWBERRY
Luce County, Michigan

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
December 31, 2004

<u>Assets</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Fire Operating</u>	<u>Fire Capital</u>	<u>Atlas Park</u>
Cash in bank	2 255 15	(47 947 60)	60 070 57	15 541 69	-
Due from other funds	24 554 35	47 137 31	-	8 378 98	-
Due from State of Michigan	<u>15 190 42</u>	<u>6 054 84</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>41 999 92</u>	<u>5 244 55</u>	<u>60 070 57</u>	<u>23 920 67</u>	<u>-</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	1 940 78	569 22	1 175 94	-	-
Due to other funds	6 653 96	-	20 980 20	-	-
Due to other units	-	-	<u>26 474 56</u>	-	-
Total liabilities	<u>8 594 74</u>	<u>569 22</u>	<u>48 630 70</u>	<u>-</u>	<u>-</u>
Fund balances:					
Unreserved:					
Undesignated	<u>33 405 18</u>	<u>4 675 33</u>	<u>11 439 87</u>	<u>23 920 67</u>	<u>-</u>
Total fund balances	<u>33 405 18</u>	<u>4 675 33</u>	<u>11 439 87</u>	<u>23 920 67</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>41 999 92</u>	<u>5 244 55</u>	<u>60 070 57</u>	<u>23 920 67</u>	<u>-</u>

Total

29 919 81

80 070 64

21 245 26

131 235 71

3 685 94

27 634 16

26 474 56

57 794 66

73 441 05

73 441 05

131 235 71

VILLAGE OF NEWBERRY
Luce County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS
Year ended December 31, 2004

	<u>Major Street</u>	<u>Local Street</u>	<u>Fire Operating</u>	<u>Fire Capital</u>	<u>Atlas Park</u>
Revenues:					
Federal grant	-	-	33 131 00	-	-
State grant	-	-	2 000 00	-	-
State shared revenue	127 149 60	56 150 37	-	-	-
Charges for services – fire	-	-	52 558 04	12 912 00	-
Interest	-	-	1 315 08	175 78	-
Miscellaneous	-	30	5 603 94	-	-
Total revenues	<u>127 149 60</u>	<u>56 150 67</u>	<u>94 608 06</u>	<u>13 087 78</u>	<u>-</u>
Expenditures:					
Public safety:					
Fire protection	-	-	112 969 59	25 824 00	-
Public works:					
Highways and streets	<u>116 653 44</u>	<u>174 430 74</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>116 653 44</u>	<u>174 430 74</u>	<u>112 969 59</u>	<u>25 824 00</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>10 496 16</u>	<u>(118 280 07)</u>	<u>(18 361 53)</u>	<u>(12 736 22)</u>	<u>-</u>
Other financing sources (uses):					
Operating transfers in	-	122 955 40	18 361 53	12 912 00	-
Operating transfers out	<u>(31 787 40)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(918 72)</u>
Total other financing sources (uses)	<u>(31 787 40)</u>	<u>122 955 40</u>	<u>18 361 53</u>	<u>12 912 00</u>	<u>(918 72)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(21 291 24)</u>	<u>4 675 33</u>	<u>-</u>	<u>175 78</u>	<u>(918 72)</u>
Fund balances, January 1	<u>54 696 42</u>	<u>-</u>	<u>11 439 87</u>	<u>23 744 89</u>	<u>918 72</u>
Fund Balances, December 31	<u>33 405 18</u>	<u>4 675 33</u>	<u>11 439 87</u>	<u>23 920 67</u>	<u>-</u>

Total

33 131 00

2 000 00

183 299 97

65 470 04

1 490 86

5 604 24

290 996 11

138 793 59

291 084 18

429 877 77

(138 881 66)

154 228 93

(32 706 12)

121 522 81

(17 358 85)

90 799 90

73 441 05

VILLAGE OF NEWBERRY
Luce County, Michigan

COMBINING BALANCE SHEET - ALL CAPITAL PROJECTS FUNDS
December 31, 2004

	<u>Downtown Development</u>	<u>Historical Society Renovation</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	22 900 39	10 159 22	33 059 61
Due from other funds	<u>13 151 85</u>	<u>-</u>	<u>13 151 85</u>
Total Assets	<u>36 052 24</u>	<u>10 159 22</u>	<u>46 211 46</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	<u>1 924 86</u>	<u>-</u>	<u>1 924 86</u>
Total liabilities	<u>1 924 86</u>	<u>-</u>	<u>1 924 86</u>
Fund balances:			
Unreserved:			
Undesignated	<u>34 127 38</u>	<u>10 159 22</u>	<u>44 286 60</u>
Total fund balances	<u>34 127 38</u>	<u>10 159 22</u>	<u>44 286 60</u>
Total Liabilities and Fund Balances	<u>36 052 24</u>	<u>10 159 22</u>	<u>46 211 46</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, 2004

	<u>Downtown Development</u>	<u>Historical Society Renovation</u>	<u>Total</u>
Revenues:			
State grant	-	2 400 00	2 400 00
Interest	<u>874 01</u>	<u>-</u>	<u>874 01</u>
Total revenues	<u>874 01</u>	<u>2 400 00</u>	<u>3 274 01</u>
Expenditures:			
Public works:			
Highways and streets	<u>206 158 41</u>	<u>-</u>	<u>206 158 41</u>
Total expenditures	<u>206 158 41</u>	<u>-</u>	<u>206 158 41</u>
Excess (deficiency) of revenues over expenditures	<u>(205 284 40)</u>	<u>2 400 00</u>	<u>(202 884 40)</u>
Other financing sources (uses):			
Operating transfers in	<u>116 800 47</u>	<u>-</u>	<u>116 800 47</u>
Total other financing sources (uses)	<u>116 800 47</u>	<u>-</u>	<u>116 800 47</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(88 483 93)	2 400 00	(86 083 93)
Fund balances, January 1	<u>122 611 31</u>	<u>7 759 22</u>	<u>130 370 53</u>
Fund Balances, December 31	<u><u>34 127 38</u></u>	<u><u>10 159 22</u></u>	<u><u>44 286 60</u></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 19, 2005

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, 2004, and have issued our report thereon dated June 24, 2005. 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. However, this report is a matter of public record and its distribution is not limited.

Campbell, Kusterer & Co. P.C.

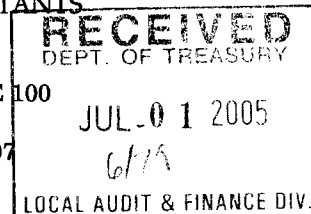
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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

February 19, 2005

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, 2004. 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.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended December 31, 2004. The implementation of this pronouncement for the Village of Newberry began with the year ended December 31, 2004. The daily operations and recording transactions did not change significantly, however, the Village is required to maintain additional records for the year end adjustments to the final presentation format.

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, 2004.

To the Village Council
Village of Newberry
Luce County, Michigan

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