

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other			Local Unit Name Village of Merrill	County Saginaw
Fiscal Year End 02-28-07	Opinion Date 05-31-07	Date Audit Report Submitted to State 08-15-07		

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES Check each applicable box below. (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input type="checkbox"/>	no issues this year.
Other (Describe)	<input type="checkbox"/>	

Certified Public Accountant (Firm Name) Gardner, Provenzano, Schauman & Thomas		Telephone Number 989-790-3900	
Street Address 4855 State Street		City Saginaw	State Zip MI 48603
Authorizing CPA Signature <i>Heather A. Thomas</i>		Printed Name Heather A. Thomas	License Number 1101024719

VILLAGE OF MERRILL
Merrill, Michigan

FINANCIAL STATEMENTS
February 28, 2007

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VILLAGE OF MERRILL
VILLAGE COUNCIL
FOR THE YEAR ENDED FEBRUARY 28, 2007

Officers

David Novak	President
Duane Reichard	Treasurer
Teresa DeBeau	Clerk
Thos. J. Mayan	Street Administrator

Trustees

Jackie Novak
Tina Eddy
Norma Brown
Gary Siler
Mary Castellanos
Connie LaFleur



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

May 31, 2007

Members of the Village Council
Village of Merrill, Michigan

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the Village of Merrill, as of and for the year ended February 28, 2007, as listed in the table of contents. These financial statements are the responsibility of the Village of Merrill's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards prescribed by the State Treasurer. 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 and the business-type activities of the Village of Merrill as of February 28, 2007, and the respective changes in financial position and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles and with applicable rules and regulations of the State Treasurer.

Members of the Village Council
Page Two
May 31, 2007

The management's discussion and analysis and budgetary comparison 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 consist 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 made for the purpose of forming an opinion on the financial statements taken as a whole. The individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Village of Merrill. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The accompanying 2006 financial information was compiled by us, and our report thereon, dated July 10, 2006, stated we did not audit or review those financial statements and, accordingly, expressed no opinion or other form of assurance on them.

Gardner, Perovnyano, Scheumann & Thomas, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF MERRILL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Village of Merrill's (Village) financial performance provides an overview of the Village's financial activities for the fiscal year ended February 28, 2007. As allowed by GASB 34 for phase three governments, the Village of Merrill did not recognize infrastructure assets retroactively. In addition, the Village has opted to display information for all funds without regard to the criteria for determination of major funds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities presents information showing how the Village's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish between functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, public works, highways and streets, sanitation, recreation, library and other equipment. The business-type activities include sewer services and the start up activity of water services.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories, governmental and proprietary funds.

Overview of the Financial Statements (continued)

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains four governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Major Street, Local Street, and Special Projects.

Proprietary Funds – The Village maintains three proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its sewer operations and the start up activities of water operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village uses its internal service funds to account for its equipment program. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Village's budget.

VILLAGE OF MERRILL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

February 28, 2007	Government Activities	Business-type Activities	Total
Assets			
Current assets	\$ 554,990	\$ 277,583	\$ 832,573
Noncurrent assets	367,903	3,819,744	4,187,647
Total Assets	922,893	4,097,327	5,020,220
Liabilities			
Current liabilities	6,967	2,186	9,153
Noncurrent liabilities	8,688	3,370,000	3,378,688
Total Liabilities	15,655	3,372,186	3,387,841
Net Assets			
Investment in capital assets	367,903	449,744	817,647
Unrestricted	539,335	275,397	814,732
Total Net Assets	\$ 907,238	\$ 725,141	\$ 1,632,379

February 28, 2006	Government Activities	Business-type Activities	Total
Assets			
Current assets	\$ 539,643	\$ 281,038	\$ 820,681
Noncurrent assets	306,296	470,979	777,275
Total Assets	845,939	752,017	1,597,956
Liabilities			
Current liabilities	17,608	113	17,721
Noncurrent liabilities	9,928	-	9,928
Total Liabilities	27,536	113	27,649
Net Assets			
Investment in capital assets	306,296	470,979	777,275
Unrestricted	512,107	280,925	793,032
Total Net Assets	\$ 818,403	\$ 751,904	\$ 1,570,307

Net assets may serve over time as a useful indicator of government's financial position. In the case of the Village, assets exceeded liabilities by \$1,632,379, as of February 28, 2007 for the total of Governmental and Business-type activities.

The largest portion of net assets (51%) reflects its investments in capital assets (e.g., land, land improvements, buildings, equipment and furniture, and vehicles). The Village uses these capital assets to provide service to citizens. Another portion of the Village's net assets (49%) reflects unrestricted net assets that may be used to meet the government's ongoing obligations.

VILLAGE OF MERRILL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Overview of the Financial Statements (continued)

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS (continued)

For the year ended February 28, 2007	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenue			
Charges for services	\$ 55,754	\$ 55,897	\$ 111,651
Operating grants and contributions	407,082	-	407,082
General revenue			
Property taxes	192,422	-	192,422
State shared revenue	82,814	-	82,814
Unrestricted investment earnings	20,377	10,093	30,470
Other revenues	136,228	10,359	146,587
Transfers	(25,540)	25,540	-
Total Revenues	869,137	101,889	971,026
Program Expenses			
General government	100,810	-	100,810
Public safety	11,531	-	11,531
Public works	60,828	-	60,828
Highways and Streets	481,555	-	481,555
Sanitation	26,976	-	26,976
Recreation	15,111	-	15,111
Library	4,036	-	4,036
Other	250	-	250
Equipment	79,205	-	79,205
Sewer	-	96,601	96,601
Water	-	32,051	32,051
Total Program Expenses	780,302	128,652	908,954
Change in Net Assets	88,835	(26,763)	62,072
Net Assets-Beginning	818,403	751,904	1,570,307
Net Assets-Ending	\$ 907,238	\$ 725,141	\$ 1,632,379

Governmental Activities

Governmental activities had an increase in net assets of \$88,835 for the year ended February 28, 2007 as opposed to \$71,460 in the previous year.

VILLAGE OF MERRILL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

For the year ended February 28, 2006	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenue			
Charges for services	\$ 75,046	\$ 55,842	\$ 130,888
Operating grants and contributions	81,402	-	81,402
General revenue			
Property taxes	177,524	-	177,524
State shared revenue	84,199	-	84,199
Unrestricted investment earnings	14,955	10,131	25,086
Other revenues	37,026	-	37,026
Transfers	10,000	(10,000)	-
Total Revenues	480,152	55,973	536,125
Program Expenses			
General government	103,039	-	103,039
Public safety	8,430	-	8,430
Public works	35,805	-	35,805
Highways and Streets	141,622	-	141,622
Sanitation	27,626	-	27,626
Recreation	23,445	-	23,445
Library	4,053	-	4,053
Other	2,900	-	2,900
Equipment	61,772	-	61,772
Sewer	-	72,253	72,253
Total Program Expenses	408,692	72,253	480,945
Change in Net Assets	71,460	(16,280)	55,180
Net Assets-Beginning	746,943	768,184	1,515,127
Net Assets-Ending	\$ 818,403	\$ 751,904	\$ 1,570,307

Business-type Activities

The Village operates a sewer treatment facility. This department operates from fees charged to the Village residents. Rates for this service are set to provide operations and maintenance. The sewer fund had a decrease in net assets of \$(30,252) as compared to the prior year decrease of \$(16,280). Although sewer rates were increased, a loss still occurred mostly due to significant repairs that were required to the sewer lines and the lift station due to damages incurred during the construction of the water project. The Village anticipates insurance proceeds to cover some of the expenses incurred due to the damage. At February 28, 2007, the insurance claim was still pending. The Village anticipates receipt of the claim in the February 28, 2008 fiscal year.

The water fund, at this point, is accumulating the expense incurred for the construction of the project.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The focus of the Village's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$485,708. Approximately 83% of this total amount constitutes unreserved fund balance.

For the fiscal year ended February 28, 2007 governmental fund balances changed as follows:

General Fund

The general fund had an increase in fund balance of \$79,417. In previous years, the general fund incurred expenditures related to the water project during the start up phase. During the fiscal year, proceeds from debt issued for the water fund were used to pay back the general fund. These reimbursements were the majority of the fund balance increase.

Major Street Fund

The major street fund had a decrease in fund balance of (\$62,011). This decrease was planned and was due to completion of the South Midland street reconstruction project.

Local Street Fund

The local street fund had an increase in fund balance of \$23,232. There were no significant projects completed in this fiscal year.

Special Projects Fund

The special projects fund had a decrease in fund balance of \$(30,552). The completion of the DPW building was the most significant transaction in this fund. Transfers from other funds for the past three years funded this project.

Equipment Fund

The equipment fund had a decrease in fund balance of \$(25,069) mostly due to an increase in depreciation expense. There were no significant purchases this year.

VILLAGE OF MERRILL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

General Fund Budgetary Highlights – The Uniform Budget Act of the State of Michigan requires that the local governmental council approve the original budget for the upcoming fiscal year prior to the end of the current fiscal year. Over the course of the year, the Merrill Village Council revises its budget to reflect changes in revenues and expenditures. A budgetary comparison schedule showing the Village of Merrill's original budget and final amended budget compared with actual amounts for revenue and expenditures is provided in required supplemental information of these financial statements.

Original Budget vs. Final Budget

Significant changes to the general fund original expenditure budget were as follows:

Revenue reimbursements were increased by \$108,459. When the original budget was adopted, the Village was uncertain as to the amount the general fund would be reimbursed for expenditures related to the water fund project.

The public works expenditure line item was increased \$13,983 to accommodate additional expenditures related to storm damage clean up and work performed on the DPW building.

Transfers out were increased to accommodate additional funds needed to subsidize the water fund for the water project.

Final Budget vs. Actual

The budgeted results for revenue exceeded the actual by \$3,920. Management believes that none of the individual line item variances were significant.

The actual results for expenditures exceeded the budget by \$5,710. Management believes that none of the individual line items were significant.

Capital Assets

The Village's investment in capital assets for its governmental activities and business-type activities were \$4,578,612 and \$367,903, respectively. These amounts are net of accumulated depreciation. This investment in capital assets includes land, land improvements, equipment and furniture, vehicles, and buildings. The most significant capital asset addition was the completion of the DPW building. More detailed information about capital assets is presented in the notes to the financial statements. At this time, there are no significant plans for additional acquisitions other than the completion of the water project.

Debt Administration

At the end of the fiscal year, the Village had total debt of \$4,137,556. The debt consisted of amounts due to employees for accumulated sick leave at February 28, 2007 of \$8,688 and contract payable to Saginaw County in the amount of \$4,128,868 for the water project. At this time, the Village has no plans for any additional debt other than the remainder of the water project.

Current Known Facts

The Village of Merrill has entered into a contract with Saginaw County Department of Public Works to build a municipal water system. A loan/grant package has been approved by Rural Development, 63% loan and 37% grant. The entire project, at this time, is estimated at \$5,505,000. Construction is scheduled to be completed in the late summer of 2007.

Request for Information

This report is designed to provide our stakeholders and taxpayers with a general overview of the Village of Merrill's finances. If you have questions about this report or need additional information, contact Village of Merrill, 148 W. Saginaw, Merrill, Michigan 48637.

BASIC FINANCIAL STATEMENTS

VILLAGE OF MERRILL
STATEMENT OF NET ASSETS
February 28, 2007

	Primary Government		Total
	Governmental Activities	Business- type Activities	
<u>Assets</u>			
Current Assets			
Cash and investments	\$ 503,254	\$ 245,682	\$ 748,936
Accounts receivable	15,278	31,901	47,179
Taxes receivable	13,943	-	13,943
Prepays	450	-	450
Due from other governmental units	22,065	-	22,065
Total Current Assets	<u>554,990</u>	<u>277,583</u>	<u>832,573</u>
Noncurrent Assets			
Net capital assets	367,903	3,819,744	4,187,647
Total Noncurrent Assets	<u>367,903</u>	<u>3,819,744</u>	<u>4,187,647</u>
Total Assets	<u>922,893</u>	<u>4,097,327</u>	<u>5,020,220</u>
<u>Liabilities</u>			
Current Liabilities			
Accounts payable	6,967	2,186	9,153
Total Current Liabilities	<u>6,967</u>	<u>2,186</u>	<u>9,153</u>
Noncurrent liabilities			
Due in more than one year	8,688	3,370,000	3,378,688
Total Noncurrent Liabilities	<u>8,688</u>	<u>3,370,000</u>	<u>3,378,688</u>
Total Liabilities	<u>15,655</u>	<u>3,372,186</u>	<u>3,387,841</u>
<u>Net Assets</u>			
Invested in capital assets	367,903	449,744	817,647
Unrestricted	539,335	275,397	814,732
Total Net Assets	<u>\$ 907,238</u>	<u>\$ 725,141</u>	<u>\$ 1,632,379</u>

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

VILLAGE OF MERRILL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2007

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contribution	Primary Government		
				Governmental Activities	Business- Activities	Total
Governmental activities:						
General Government	\$ 100,810	\$ -	\$ -	\$ (100,810)	\$ -	\$ (100,810)
Public Safety	11,531	-	-	(11,531)	-	(11,531)
Public Works	60,828	-	-	(60,828)	-	(60,828)
Highways & Streets	481,555	-	407,082	(74,473)	-	(74,473)
Sanitation	26,976	31,364	-	4,388	-	4,388
Recreation	15,111	6,971	-	(8,140)	-	(8,140)
Library	4,036	-	-	(4,036)	-	(4,036)
Other	250	-	-	(250)	-	(250)
Equipment	79,205	17,419	-	(61,786)	-	(61,786)
Total governmental activities	<u>780,302</u>	<u>55,754</u>	<u>407,082</u>	<u>(317,466)</u>	<u>-</u>	<u>(317,466)</u>
Business-type Activities:						
Sewer Fund	96,601	55,897	-	-	(40,704)	(40,704)
Water Fund	32,051	-	-	-	(32,051)	(32,051)
Total business-type activities	<u>128,652</u>	<u>55,897</u>	<u>-</u>	<u>-</u>	<u>(72,755)</u>	<u>(72,755)</u>
Total primary government	<u>\$ 908,954</u>	<u>\$ 111,651</u>	<u>\$ 407,082</u>	<u>(317,466)</u>	<u>(72,755)</u>	<u>(390,221)</u>
General Revenues:						
Property Taxes				192,422	-	192,422
State Shared Revenue				82,814	-	82,814
Unrestricted investment earnings				20,377	10,093	30,470
Other revenues				136,228	10,359	146,587
Transfers				(25,540)	25,540	-
Total general revenues				<u>406,301</u>	<u>45,992</u>	<u>452,293</u>
Change in net assets				88,835	(26,763)	62,072
Net assets - beginning				818,403	751,904	1,570,307
Net assets - ending				<u>\$ 907,238</u>	<u>\$ 725,141</u>	<u>\$ 1,632,379</u>

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

VILLAGE OF MERRILL
GOVERNMENTAL FUNDS BALANCE SHEET
February 28, 2007

	General	Major	Local	Special Projects	Total Governmental Funds
<u>Assets</u>					
Cash	\$ 119,684	\$ 42,175	\$ 128,008	\$ 84,380	\$ 374,247
Investments	65,474	-	-	-	65,474
Taxes receivable	11,649	1,147	1,147	-	13,943
Accounts receivable	15,278	-	-	-	15,278
Prepays	450	-	-	-	450
Due from other governmental units	10,957	8,104	3,004	-	22,065
Total Assets	<u>\$ 223,492</u>	<u>\$ 51,426</u>	<u>\$ 132,159</u>	<u>\$ 84,380</u>	<u>\$ 491,457</u>
<u>Liabilities and Fund Equity</u>					
Liabilities					
Accounts Payable	\$ 5,749	\$ -	\$ -	\$ -	\$ 5,749
Total Liabilities	<u>5,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,749</u>
Fund Equity					
Unreserved	217,743	51,426	132,159	-	401,328
Designated	-	-	-	84,380	84,380
Total Fund Equity	<u>217,743</u>	<u>51,426</u>	<u>132,159</u>	<u>84,380</u>	<u>485,708</u>
Total Liabilities and Fund Equity	<u>\$ 223,492</u>	<u>\$ 51,426</u>	<u>\$ 132,159</u>	<u>\$ 84,380</u>	<u>\$ 491,457</u>

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

VILLAGE OF MERRILL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
February 28, 2007

Fund balances of governmental funds	\$	485,708
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources; and therefore, are not reported in the funds.</p>		
Cost of the capital assets		551,857
Accumulated depreciation		(183,953)
<p>Long-term liabilities are not due and payable in current period; and therefore, are not reported in the funds.</p>		
Compensated absences		(8,688)
<p>Internal service funds are used by management to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement.</p>		
		62,314
Net assets of governmental activities	<u>\$</u>	<u>907,238</u>

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

VILLAGE OF MERRILL
 GOVERNMENTAL FUNDS STATEMENTS OF REVENUE
 EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED FEBRUARY 28, 2007

	General	Major Street	Local Street	Special Projects	Total Governmental Funds
Revenue					
Taxes	\$ 160,356	\$ 16,033	\$ 16,033	\$ -	\$ 192,422
Intergovernmental revenues	82,813	390,444	16,638	-	489,895
Charges for services	31,364	-	-	-	31,364
Interest	7,422	4,029	4,603	2,148	18,202
Miscellaneous	27,965	-	-	-	27,965
Refunds and reimbursements	131,352	1,779	-	-	133,131
Total Revenue	441,272	412,285	37,274	2,148	892,979
Expenditures					
General government	100,256	-	-	-	100,256
Public safety	11,531	-	-	-	11,531
Public Works	62,715	-	-	-	62,715
Highways and streets	17,327	474,296	14,042	-	505,665
Sanitation	26,976	-	-	-	26,976
Recreation	26,316	-	-	-	26,316
Library	4,036	-	-	-	4,036
Capital Outlay	7,158	-	-	112,450	119,608
Other expenses	-	-	-	250	250
Total Expenditures	256,315	474,296	14,042	112,700	857,353
Excess (Deficiency) of Revenues over Expenditures	184,957	(62,011)	23,232	(110,552)	35,626
Other Financing Sources (Uses)					
Operating transfers in	-	-	-	80,000	80,000
Operating transfers (out)	(105,540)	-	-	-	(105,540)
Total Other Financing Sources (Uses)	(105,540)	-	-	80,000	(25,540)
Excess (deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	79,417	(62,011)	23,232	(30,552)	10,086
Fund Balances, Beginning	138,326	113,437	108,927	114,932	475,622
Fund Balances, Ending	\$ 217,743	\$ 51,426	\$ 132,159	\$ 84,380	\$ 485,708

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

VILLAGE OF MERRILL
 RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT
 OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
 TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED FEBRUARY 28, 2007

Net change in fund balances --total governmental funds	\$	10,086
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources; and therefore, are not reported in the funds.</p>		
Depreciation expense		(1,730)
Capital Outlay		104,308
<p>In the statement of activities, certain expenses (compensated absences) are measured by the amounts earned during the year. The governmental funds measure the financial resources used (paid).</p>		
Compensated absences		1,240
<p>Internal service funds are used by management to charge the costs of fleet management to individual funds.</p>		
<p>The expenses and revenues of the internal service funds are included in governmental activities in the statement</p>		
		(25,069)
Change in net assets of governmental activities	<u>\$</u>	<u>88,835</u>

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

VILLAGE OF MERRILL
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 February 28, 2007

	<u>Business-Type Activities Enterprise Fund</u>	<u>Governmental Activities- Internal Service Fund</u>
<u>Assets</u>	<u>Sewer and Water</u>	<u>Equipment</u>
Current assets:		
Cash	\$ 5,792	\$ 63,532
Investments	239,890	-
Accounts receivable	31,901	-
Total current assets	277,583	63,532
Noncurrent assets:		
Capital assets	4,458,078	267,262
Accumulated depreciation	(638,334)	(168,367)
Total noncurrent assets	3,819,744	98,895
Total Assets	\$ 4,097,327	\$ 162,427
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 2,186	\$ 1,218
Contract payable	3,370,000	-
Total Liabilities	3,372,186	1,218
Net Assets		
Investment in capital assets	449,744	98,895
Unrestricted	275,397	62,314
Total Net Assets	725,141	161,209
Total Liabilities and Net Assets	\$ 4,097,327	\$ 162,427

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

VILLAGE OF MERRILL
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSE AND
 CHANGES IN NET ASSETS
 FOR THE YEAR ENDED FEBRUARY 28, 2007

	Business-Type Activities Enterprise Fund	Governmental Activities- Internal Service Fund
Operating Revenues		
Charge for services	\$ 55,897	\$ 61,904
Operating Expenses		
Wage and benefits	60,943	10,326
Audit	1,724	1,055
Administrative charge	10,772	7,265
Supplies	2,056	2,301
Utilities	1,176	3,153
Insurance	887	4,996
Building rental	2,678	2,678
Equipment rental	17,420	-
Depreciation	24,768	40,970
Equipment repairs	-	1,283
Miscellaneous	6,228	15,121
Total Operating Expenses	128,652	89,148
Operating Loss	(72,755)	(27,244)
Nonoperating Revenues (Expenses)		
Interest earned	10,093	2,175
Insurance proceeds	10,359	-
Net Nonoperating Revenues	20,452	2,175
Net Income (Loss) before transfers out	(52,303)	(25,069)
Transfers in (out)	25,540	-
Change in net assets	(26,763)	(25,069)
Net assets at beginning of year	751,904	186,278
Net assets at end of year	\$ 725,141	\$ 161,209

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

VILLAGE OF MERRILL
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED FEBRUARY 28, 2007

	<u>Business-Type Activities Enterprise Fund</u>	<u>Governmental- Activities-Internal Service Fund</u>
Cash Flows From Operating Activities		
Receipts from customers	\$ 45,649	\$ -
Payments to suppliers	(9,998)	(27,791)
Payments to employees	(60,943)	(10,326)
Internal activity - Net payments to other funds	(30,870)	51,961
Net cash provided by (used in) operating activities	<u>(56,162)</u>	<u>13,844</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(3,373,533)	-
Insurance proceeds	10,359	-
Contract payable	3,370,000	-
Net cash used in capital and related financing activities	<u>6,826</u>	<u>-</u>
Cash Flows from Noncapital Financing Activities:		
Transfer from other funds	25,540	-
Net cash used in noncapital and financing activities	<u>25,540</u>	<u>-</u>
Cash Flows from Investing Activities		
Interest received on investments	10,093	2,175
Net cash provided by (used in) investing activities	<u>10,093</u>	<u>2,175</u>
Net Increase (Decrease) in Cash and cash equivalents	(13,703)	16,019
Cash and cash equivalents - Beginning of year	259,385	47,513
Cash and cash equivalents - End of year	<u>\$ 245,682</u>	<u>\$ 63,532</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities		
Operating Loss	\$ (72,755)	\$ (27,244)
Adjustments to reconcile operating income (loss) to net cash from operating activities		
Depreciation	24,768	40,970
Changes in assets and liabilities		
Receivables	(10,248)	-
Accounts payable	2,073	118
Net Cash provided by (used in) operating activities	<u>\$ (56,162)</u>	<u>\$ 13,844</u>

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

NOTES TO FINANCIAL STATEMENTS

VILLAGE OF MERRILL
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Description of Village Operations and Fund Types

The Village of Merrill, located in Saginaw County, Michigan, was incorporated as a general law village under the provisions of Act 3 of 1895, as amended. The Village operates under an elected Village Council to provide municipal services to approximately 782 residents.

The criteria established by NCGA for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the Village. Educational services are provided through a local school district, which is a separate governmental entity; therefore, these services are not represented in the financial statements included herein. In addition, this report does not include the financial statements of the Merrill Public Library which operates autonomously under an intergovernmental service agreement.

The financial statements of the Village of Merrill are prepared with Generally Accepted Accounting Principles (GAAP). The Village reporting entity applies all relevant Government Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the governmental and business-type 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 or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that cannot be attributed directly to any one function are not included among program revenues and are reported instead as general revenue.

VILLAGE OF MERRILL
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Description of Village Operations and Fund Types (continued)

Government-wide and Fund Financial Statements (continued)

Separate financial statements are provided for governmental funds and proprietary funds. These statements present each major fund as a separate column on the fund financial statements. At this time, all of the Village's funds are considered major.

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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers 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, debt service expenditures relating to compensated absences are recorded only when payment is due.

Property taxes and State-shared revenues are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

A fund is defined as a fiscal and accounting entity with self-balancing set of accounts which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Village uses the following fund types:

Governmental Funds

General Fund--The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

VILLAGE OF MERRILL
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Description of Village Operations and Fund Types (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(continued)

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

Proprietary Funds

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

Internal Service Funds--Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village on a cost-reimbursement basis.

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for services.

Operating expenses for proprietary funds include the cost of source of supply, transmission and distribution maintenance, and administrative and general expenses, including depreciation and capital assets.

All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

VILLAGE OF MERRILL
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Description of Village Operations and Fund Types (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(continued)

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash

Cash includes cash on hand and demand deposits. The Village considers all short-term debt securities purchased with maturity of three months or less to be cash equivalents.

Investments

Investments include certificates of deposit and are stated at fair value.

Receivables

Receivables consist of all revenues earned at year-end but not yet received.

Inventories

Inventories, which are immaterial in amount, are not recognized as an asset in the Enterprise Funds. Supplies, which are also immaterial in amount, are treated as expenditures at the time of purchase in the Governmental Fund types.

Prepaid

Prepaid amounts consist of payments for which the Village will have a future benefit and will be used up at a date beyond the current year-end.

Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. 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. The

VILLAGE OF MERRILL
NOTES TO FINANCIAL STATEMENTS

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(continued)

Village owns infrastructure assets such as water and sewer systems and roads and sidewalks. Depreciation on all assets is provided on the straight-line method over the following estimated useful lives:

Equipment and other	3-10 years
Vehicles	6 years
Buildings	50 years
Other equipment	5-12 years

The Village elected not to retroactively report Governmental Fund infrastructure assets, which is allowable under the provisions of GASB 34.

Accounts Payable

Accounts payable consist of items from which the Village benefited during the current fiscal year but has not yet paid.

Accrued Compensated Absences

Accumulated and unused sick leave at year end is recognized as a liability of the respective funds in which each employee's wages are reported. The liability is calculated based upon various labor terms. Total accrued sick leave at February 28, 2007, was \$8,688.

Budgets and Budgetary Accounting

The Village employs the following procedures in establishing budgetary data reflected in the financial statements:

- a. Several months prior to March 1 of each year, the Treasurer/Budget Director submits a budget for the ensuing fiscal year to the Council for review and possible revision.
- b. Prior to March 1 of each year, a public hearing is conducted to obtain taxpayers' comments.
- c. Prior to March 1 of each year, the budget is approved.
- d. Budget amounts as originally adopted are amended by the Village Council as necessary throughout the year.

VILLAGE OF MERRILL
NOTES TO FINANCIAL STATEMENTS

NOTE 2--Excess of Expenditures over Appropriation in Budgetary Funds

Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted at the functional level.

During the year ended February 28, 2007, the Village incurred expenditures in excess of the amounts appropriated as illustrated in the supplemental information on page 31.

NOTE 3--Investments and Deposits

The Village is authorized, by the State of Michigan, to deposit its funds in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The Village is also authorized to invest in the following:

- a. direct bonds and obligations of the U.S. or agency or instrumentality.
- b. CDs, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency,
- c. commercial paper - within three highest rate classifications by at least two rating services, maturing not later than 270 days,
- d. U.S. or agency repurchase agreements,
- e. bankers' acceptance of U.S. banks,
- f. mutual funds - investments which local unit can make directly.

All investments and deposits for the Village of Merrill are held at a single federally insured financial institution. The FDIC insures up to \$100,000 in demand deposits. However, separately named accounts of a governmental entity in a single financial institution may not necessarily be treated as separate deposits for purposes of applying the \$100,000 limits. At February 28, 2007, the investments held by the Village were certificates of deposit.

It is the policy of the Village of Merrill council to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow need of the Village and comply with all State statutes governing the investment of public funds.

VILLAGE OF MERRILL
NOTES TO FINANCIAL STATEMENTS

NOTE 3--Investments and Deposits (continued)

A summary of investments and deposits as of February 28, 2007, follows:

Insured	\$ 100,000
Collateralized	-
Uncollateralized uninsured	643,215
Total	<u>\$ 743,215</u>

NOTE 4--Property Taxes

Property taxes are levied each July 1 on the state equalized valuation of property located within the Village. Uncollected real property taxes are turned over to Saginaw County for collection. The County reimburses the Village 100% for the delinquent real taxes which is normally received in May or June. The amount of this reimbursement is recognized in the financial statements as taxes receivable.

For the year ended February 28, 2007, the Village Council assessed 11.6904 mills for operations and 2.3388 mills for streets based on the taxable value of \$12,791,721, which represents both real and personal property taxes. The mills assessed were reduced for Headlee rollback.

NOTE 5--Defined Contribution Retirement Plan

The Village provides pension benefits for all eligible employees through the Village of Merrill Employees Retirement Pension Plan, a defined contribution plan. The plan can be amended by the Village Council. During the year ended February 28, 2007, the Village contributed 2% of annual compensation for eligible employees. During the year, contributions of \$2,592 were made on behalf of the covered employees by the Village of Merrill.

NOTE 6--Debt

Debt of the Village of Merrill consists solely of accrued compensated absences payable and contracts payable. Changes in long-term debt are summarized below:

	Compensated Absences	Contracts Payable	Total
Balance, February 28, 2006	\$ 9,928	\$ -	\$ 9,928
Additions (Subtractions)	(1,240)	3,370,000	3,368,760
Balance, February 28, 2007	<u>\$ 8,688</u>	<u>\$ 3,370,000</u>	<u>\$ 3,378,688</u>

Contracts payable consist of a contract between the Village of Merrill, Jonesfield Township and Saginaw County for the water project. At February 28, 2007, all the funds had not yet been drawn down upon.

VILLAGE OF MERRILL
NOTES TO FINANCIAL STATEMENTS

NOTE 7--Capital Assets

A summary of changes in capital assets follows:

	Balance Beginning	Additions	Disposals	Balance Ending
GOVERNMENTAL ACTIVITIES				
Capital assets not subject to depreciation				
Land	\$ 117,416	\$ -	\$ -	\$ 117,416
Construction in progress DPW Building	5,002	-	5,002	-
Construction in progress Water Project	15,300	-	15,300	-
Subtotal	<u>137,718</u>	<u>-</u>	<u>20,302</u>	<u>117,416</u>
Capital assets subject to depreciation				
Land Improvements	17,200	-	-	17,200
Buildings	36,898	124,609	-	161,507
Machinery & equipment	112,548	-	-	112,548
Vehicles	157,959	-	14,774	143,185
Subtotal	<u>324,605</u>	<u>124,609</u>	<u>14,774</u>	<u>434,440</u>
Accumulated Depreciation	156,027	42,700	14,774	183,953
Net capital assets being depreciated	168,578	81,909	-	250,487
Net governmental capital assets	<u>\$ 306,296</u>	<u>\$ 81,909</u>	<u>\$ 20,302</u>	<u>\$ 367,903</u>

	Balance Beginning	Additions	Disposals	Balance Ending
BUSINESS-TYPE ACTIVITIES				
Capital assets not subject to depreciation				
Land	\$ 22,442	\$ -	\$ -	\$ 22,442
Construction in progress Water Project	-	3,373,533	-	3,373,533
Subtotal	<u>22,442</u>	<u>3,373,533</u>	<u>-</u>	<u>3,395,975</u>
Capital assets subject to depreciation				
Buildings	164,644	-	-	164,644
Collection systems	868,891	-	-	868,891
Machinery & equipment	28,568	-	-	28,568
Subtotal	<u>1,062,103</u>	<u>-</u>	<u>-</u>	<u>1,062,103</u>
Accumulated Depreciation	613,566	24,768	-	638,334
Net capital assets being depreciated	448,537	(24,768)	-	423,769
Net Business-type capital assets	<u>\$ 470,979</u>	<u>\$ 3,348,765</u>	<u>\$ -</u>	<u>\$ 3,819,744</u>

VILLAGE OF MERRILL
NOTES TO FINANCIAL STATEMENTS

NOTE 7--Capital Assets (continued)

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

Governmental activities:	
General government	\$ 554
Public works	416
Recreation	760
Equipment	40,970
Total governmental activities	<u>\$ 42,700</u>
Business-type activities:	
Sewer	<u>\$ 24,768</u>
Total business-type activities	<u>\$ 24,768</u>

NOTE 8--Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Since 1992, the Village Council has participated in the Michigan Municipal Worker's Compensation Self Insurer's Fund (SIF), a public entity risk pool currently operating as a common risk management program for Municipalities in the State of Michigan. The Village pays an annual premium to SIF for its worker's compensation coverage. The SIF is self-sustaining through member premiums.

In the event of unusually high claims, the SIF has the authority to bill the Village retroactively. The Village continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

NOTE 9--Special Projects Fund Balance

Fund balance is designated to make mandated improvements to the Village office in order to make the office handicap accessible.

VILLAGE OF MERRILL
NOTES TO FINANCIAL STATEMENTS

NOTE 10--Inter-fund Transfers

Transfers In/Out			
	Transfers In		Transfers Out
Special projects	\$ 70,000	General	\$ 70,000
Special projects	10,000	Sewer	10,000
Water Fund	35,040	General	35,040
	\$115,040		\$ 115,040

The purpose of the transfers into the special projects fund was to accumulate a fund balance to construct a new DPW building. The purpose of the transfer into the water fund was to subsidize the water project.

NOTE 11--Water Project

The Village of Merrill in conjunction with Jonesfield Township has signed a contract with the County of Saginaw for a Municipal water project. At February 28, 2007, the project was not completed. In previous years, the expenditures for the project were accumulated in the general fund. During this fiscal year, a water fund was established.

REQUIRED SUPPLEMENTAL INFORMATION

Village of Merrill
 Budgetary Comparison
 General Fund
 For the Year Ended February 28, 2007

	General Fund		
	Original Budget	Final Budget	Actual Results
Revenues			
Taxes	\$ 143,332	\$ 160,356	\$ 160,356
Intergovernmental revenues	84,281	87,456	82,813
Charges for services	31,704	32,661	31,364
Interest	6,265	6,284	7,422
Miscellaneous	28,168	27,165	27,965
Reimbursements	22,811	131,270	131,352
Total Revenues	<u>316,561</u>	<u>445,192</u>	<u>441,272</u>
Expenditures			
Current			
General government	104,073	97,130	100,256
Public safety	8,560	11,048	11,531
Public works	40,334	54,317	62,715
Highways and streets	17,775	15,894	17,327
Sanitation	27,791	31,327	26,976
Recreation	34,677	26,307	26,316
Library	4,075	4,036	4,036
Capital outlay	-	10,547	7,158
Total Expenditures	<u>237,285</u>	<u>250,606</u>	<u>256,315</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>79,276</u>	<u>194,586</u>	<u>184,957</u>
Other Financing Sources (Uses)			
Transfers out	(80,000)	(100,000)	(105,540)
Total Other Financing Sources (Uses)	<u>(80,000)</u>	<u>(100,000)</u>	<u>(105,540)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	(724)	94,586	79,417
Fund Balance, Beginning	<u>138,326</u>	<u>138,326</u>	<u>138,326</u>
Fund Balance, Ending	<u>\$ 137,602</u>	<u>\$ 232,912</u>	<u>\$ 217,743</u>

See accompanying notes and accountant's report.

OTHER SUPPLEMENTAL INFORMATION

VILLAGE OF MERRILL
GENERAL FUND

VILLAGE OF MERRILL
GENERAL FUND
COMPARATIVE BALANCE SHEETS
FEBRUARY 28, 2007 AND FEBRUARY 28, 2006

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Cash	\$ 119,684	\$ 49,011
Investments	65,474	62,960
Taxes receivable	11,649	11,469
Accounts receivable	15,278	15,579
Prepays	450	-
Due from State of Michigan	10,957	11,205
Total Assets	<u>\$ 223,492</u>	<u>\$ 150,224</u>
<u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ 5,749	\$ 7,770
Accrued wages	-	29
Deferred revenue	-	4,099
Total Liabilities	<u>5,749</u>	<u>11,898</u>
Fund Balance		
Unreserved	217,743	138,326
Total Liabilities and Fund Balance	<u>\$ 223,492</u>	<u>\$ 150,224</u>

See accompanying notes.

VILLAGE OF MERRILL
GENERAL FUND
STATEMENT OF REVENUES--BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007
(With Comparative Actual Amounts for the Year Ended February 28, 2006)

	2007		Over (Under) Budget	2006
	Budget	Actual		Actual
Revenues				
Taxes				
Property taxes	\$ 160,356	\$ 160,356	\$ -	\$ 143,160
Intergovernmental revenues				
Sales tax	86,476	81,833	(4,643)	83,168
Liquor license	980	980	-	1,031
Charges for services				
Garbage collection	32,661	31,364	(1,297)	31,710
Reimbursements	131,270	131,352	82	28,190
Miscellaneous				
Park agreements	6,901	6,971	70	8,720
Interest earned	6,284	7,422	1,138	6,206
Building rental	7,498	7,498	-	7,498
Miscellaneous	12,766	13,496	730	14,477
Total Revenues	\$ 445,192	\$ 441,272	\$ (3,920)	\$ 324,160

See accompanying notes.

VILLAGE OF MERRILL
GENERAL FUND
STATEMENT OF EXPENDITURES--BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007
(With Comparative Actual Amounts for the Year Ended February 28, 2006)

	2007		Over (Under) Budget	2006
	Budget	Actual		Actual
Expenditures				
General government				
Council wages and benefits	\$ 14,724	\$ 14,363	\$ (361)	\$ 11,814
Office Manager	31,875	32,754	879	30,180
Clerk	1,200	1,098	(102)	1,279
Treasurer	8,303	8,637	334	8,911
Accounting	1,261	1,261	-	2,131
Legal	464	464	-	8,853
Planning commission	1,365	2,350	985	2,050
Inspection department	4,626	5,533	907	4,424
Insurance	9,129	9,129	-	7,984
Utilities	3,948	4,430	482	3,662
Other general government	20,235	20,237	2	22,495
Total General Government	97,130	100,256	3,126	103,783
Public Safety				
Supplies	2,486	2,742	256	2,672
Miscellaneous	8,339	8,433	94	1,339
Equipment maintenance	223	356	133	4,419
Total Public Safety	11,048	11,531	483	8,430
Public Works				
Wages and benefits	30,969	38,176	7,207	26,241
Supplies	4,277	4,326	49	2,617
Equipment rental	13,731	13,755	24	7,377
Other	5,340	6,458	1,118	5,978
Total Public Works	54,317	62,715	8,398	42,213
Highways and Streets				
Street lights	13,985	15,267	1,282	15,935
Traffic lights	1,909	2,060	151	1,664
Total Highways and Streets	15,894	17,327	1,433	17,599

See accompanying notes.

VILLAGE OF MERRILL
GENERAL FUND
STATEMENT OF EXPENDITURES--BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 28, 2007
(With Comparative Actual Amounts for the Year Ended February 28, 2006)

	2007		Over (Under) Budget	2006
	Budget	Actual		Actual
Expenditures				
Sanitation	31,327	26,976	(4,351)	27,626
Recreation				
Wages and benefits	11,535	11,535	-	13,679
Building maintenance	-	-	-	240
Operating supplies	941	941	-	1,824
Insurance	769	769	-	772
Utilities	642	651	9	609
Miscellaneous	455	455	-	5,561
Equipment rental	11,965	11,965	-	13,217
Total Recreation	<u>26,307</u>	<u>26,316</u>	<u>9</u>	<u>35,902</u>
Library				
Insurance	4,036	4,036	-	4,053
Total Library	<u>4,036</u>	<u>4,036</u>	<u>-</u>	<u>4,053</u>
Capital Outlay				
Water project in general fund	500	-	(500)	35,300
Public works	10,047	7,158	(2,889)	957
Total Capital Outlay	<u>10,547</u>	<u>7,158</u>	<u>(3,389)</u>	<u>36,257</u>
Total Expenditures	<u>250,606</u>	<u>256,315</u>	<u>5,709</u>	<u>275,863</u>
Other Financing Uses				
Operating transfers out				
Special projects	70,000	70,000	-	55,000
Water fund	30,000	35,540	5,540	
Local street	-	-	-	15,000
Total Other Financing Uses	<u>100,000</u>	<u>105,540</u>	<u>5,540</u>	<u>70,000</u>
Total Expenditures and Other Financing Uses	<u>\$ 350,606</u>	<u>\$ 361,855</u>	<u>\$ 11,249</u>	<u>\$ 345,863</u>

See accompanying notes.

VILLAGE OF MERRILL
SPECIAL REVENUE FUNDS

Major Street Fund

Local Street Fund

Special Projects Fund

VILLAGE OF MERRILL
 MAJOR STREET FUND
 COMPARATIVE BALANCE SHEETS
 FEBRUARY 28, 2007 AND FEBRUARY 28, 2006

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Cash	\$ 42,175	\$ 108,251
Taxes receivable	1,147	1,356
Due from State of Michigan	8,104	8,190
Total Assets	\$ 51,426	\$ 117,797
<u>Liabilities and Fund Balance</u>		
Liabilities		
Accounts payable	\$ -	\$ 4,360
Total Liabilities	-	4,360
Unreserved	51,426	113,437
Total Liabilities and Fund Balance	\$ 51,426	\$ 117,797

See accompanying notes.

Major Street Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance--Budget and Actual
for the Year Ended February 28, 2007
(With Comparative Actual Amounts for the Year Ended February 28, 2006)

	2007		Over (Under) Budget	2006
	Budget	Actual		Actual
Revenues				
Taxes	\$ 16,033	\$ 16,033	\$ -	\$ 17,181
Intergovernmental revenues				
Federal grants	-	266,816	266,816	-
State of Michigan gas and weight	43,559	44,884	1,325	45,390
State grants	-	66,704	66,704	-
State trunkline maintenance	12,040	12,040	-	12,568
Interest	3,944	4,029	85	3,622
Miscellaneous	87	-	(87)	600
Refunds and reimbursement	1,779	1,779	-	12,811
Total Revenues	<u>77,442</u>	<u>412,285</u>	<u>334,843</u>	<u>92,172</u>
Expenditures				
Trunkline maintenance				
Wages and benefits	3,175	5,436	2,261	9,080
Equipment rental	3,479	3,777	298	19,665
Materials	-	-	-	290
Preservation				
Wages and benefits	9,500	7,722	(1,778)	65,097
Equipment rental	6,499	6,815	316	8,444
Materials	1,669	1,669	-	1,501
Contract services	105,798	439,318	333,520	-
Snow and ice control				
Wages and benefits	1,938	2,295	357	4,280
Equipment rental	1,964	1,994	30	3,479
Administration and Record Keeping				
Accounting	422	422	-	775
Administrative reimbursement	2,906	2,906	-	2,906
Building rent	1,071	1,071	-	1,071
Insurance	577	577	-	579
Miscellaneous	471	294	(177)	26,088
Total Expenditures	<u>139,469</u>	<u>474,296</u>	<u>334,827</u>	<u>143,255</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(62,027)</u>	<u>(62,011)</u>	<u>16</u>	<u>(51,083)</u>
Fund Balance, Beginning	113,437	113,437	-	164,520
Fund Balance, Ending	<u>\$ 51,410</u>	<u>\$ 51,426</u>	<u>\$ 16</u>	<u>\$ 113,437</u>
See accompanying notes.				

Village of Merrill
Local Street Fund
Comparative Balance Sheets
February 28, 2007 and 2006

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Cash	\$ 128,008	\$ 104,162
Taxes receivable	1,147	1,356
Accounts receivable	-	371
Due from State of Michigan	3,004	3,038
Total Assets	<u>\$ 132,159</u>	<u>\$ 108,927</u>
<u>Fund Balance</u>		
Unreserved	\$ 132,159	\$ 108,927
Total Liabilities and Fund Balance	<u>\$ 132,159</u>	<u>\$ 108,927</u>

See accompanying notes.

Village of Merrill
Local Street Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance--Budget and Actual
for the Year Ended February 28, 2007
(With Comparative Actual Amounts for the Year Ended February 28, 2006)

	2007		Over (Under) Budget	2006
	Budget	Actual		Actual
Revenues				
Taxes	\$ 16,033	\$ 16,033	\$ -	\$ 17,183
State of Michigan gas and weight	16,147	16,638	491	16,835
Interest	4,251	4,603	352	1,978
Total Revenues	<u>36,431</u>	<u>37,274</u>	<u>843</u>	<u>35,996</u>
Expenditures				
Preservation				
Salaries and wages	3,924	2,056	(1,868)	9,925
Equipment rental	1,728	2,066	338	8,106
Contact services	43,784	-	(43,784)	-
Materials	1,759	1,363	(396)	1,800
Snow and ice control				
Salaries and wages	2,539	2,230	(309)	2,998
Equipment rental	1,108	1,505	397	2,678
Materials	915	-	(915)	-
Administration and Record Keeping				
Accounting	122	422	300	775
Insurance	384	384	-	386
Administrative reimbursement	2,906	2,906	-	2,906
Building rent	1,071	1,071	-	1,071
Driveway approaches	-	-	-	120
Miscellaneous	34	39	5	329
Total Expenditures	<u>60,274</u>	<u>14,042</u>	<u>(46,232)</u>	<u>31,094</u>
Excess (Deficiency) of Revenues Over Expenditures	(23,843)	23,232	47,075	4,902
Other Financing Sources				
Operating transfers in	-	-	-	30,000
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	<u>(23,843)</u>	<u>23,232</u>	<u>47,075</u>	<u>34,902</u>
Fund Balance, Beginning	108,927	108,927	-	74,025
Fund Balance, Ending	<u>\$ 85,084</u>	<u>\$ 132,159</u>	<u>\$ 47,075</u>	<u>\$ 108,927</u>
See accompanying notes.				

Village of Merrill
Special Projects Fund
Comparative Balance Sheets
February 28, 2007 and 2006

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Cash	\$ 84,380	\$ 114,821
Accounts receivable	-	361
Total Assets	\$ 84,380	\$ 115,182
<u>Liabilities and Fund Balance</u>		
Accounts payable	\$ -	\$ 250
Total Liabilities		
Fund Balance		
Designated	84,380	114,932
Total Liabilities and Fund Balance	\$ 84,380	\$ 115,182

See accompanying notes.

Village of Merrill
Special Projects Fund
Statement of Revenues, Expenditures and Changes
In Fund Balance-Budget and Actual
For the Year Ended February 28, 2007
(With Comparative Actual Amounts for the Year Ended February 28, 2006)

	2007		Over (Under) Budget	2006
	Budget	Actual		Actual
Revenues				
Interest Earned	\$ 2,119	\$ 2,148	\$ 29	\$ 1,752
Total Revenues	<u>2,119</u>	<u>2,148</u>	<u>29</u>	<u>1,752</u>
Expenditures				
Parking lot	250	250	-	2,900
DPW building	112,296	112,450	154	4,045
Total Expenditures	<u>112,546</u>	<u>112,700</u>	<u>154</u>	<u>6,945</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(110,427)</u>	<u>(110,552)</u>	<u>(125)</u>	<u>(5,193)</u>
Other Financing Sources (Uses)				
Operating transfers in	80,000	80,000	-	65,000
Operating transfers out	-	-	-	(15,000)
Total Other Financing Sources (Uses)	<u>80,000</u>	<u>80,000</u>	<u>-</u>	<u>50,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and other Financing Uses	<u>(30,427)</u>	<u>(30,552)</u>	<u>(125)</u>	<u>44,807</u>
Fund Balance, Beginning	<u>114,932</u>	<u>114,932</u>	<u>-</u>	<u>70,125</u>
Fund Balance, Ending	<u>\$ 84,505</u>	<u>\$ 84,380</u>	<u>\$ (125)</u>	<u>\$ 114,932</u>

See accompanying notes.

VILLAGE OF MERRILL
ENTERPRISE FUNDS

Sewer Fund

Water Fund

Village of Merrill
Enterprise Funds
Combining Statements of Net Assets
February 28, 2007

<u>Assets</u>			
Current assets:	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Cash	\$ 5,792	\$ -	\$ 5,792
Investments	239,890	-	239,890
Accounts receivable	31,901	-	31,901
Total current assets	<u>277,583</u>	<u>-</u>	<u>277,583</u>
Noncurrent assets:			
Capital Assets	1,084,545	3,373,533	4,458,078
Accumulated depreciation	<u>(638,334)</u>	<u>-</u>	<u>(638,334)</u>
Total noncurrent assets	<u>446,211</u>	<u>3,373,533</u>	<u>3,819,744</u>
Total Assets	<u>\$ 723,794</u>	<u>\$ 3,373,533</u>	<u>\$ 4,097,327</u>
<u>Liabilities and Net Assets</u>			
Liabilities			
Accounts payable	\$ 2,142	\$ 44	\$ 2,186
Contract payable	-	3,370,000	3,370,000
Total Liabilities	<u>2,142</u>	<u>3,370,044</u>	<u>3,372,186</u>
Net Assets			
Investment in capital assets	446,211	3,533	449,744
Unrestricted	<u>275,441</u>	<u>(44)</u>	<u>275,397</u>
Total Net assets	<u>721,652</u>	<u>3,489</u>	<u>725,141</u>
Total Liabilities and Net Assets	<u>\$ 723,794</u>	<u>\$ 3,373,533</u>	<u>\$ 4,097,327</u>

See accompanying notes.

Village of Merrill
Enterprise Funds
Combining Statements of Revenues and Expenses and Changes in Net Assets
For the Year Ended February 28, 2007

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Operating Revenues			
Charge for services	\$ 55,897	\$ -	\$ 55,897
Operating Expenses			
Wage and benefits	38,988	21,955	60,943
Audit	1,161	563	1,724
Administrative charge	8,573	2,199	10,772
Supplies	1,888	168	2,056
Utilities	1,176	-	1,176
Insurance	769	118	887
Building rental	2,678	-	2,678
Equipment rental	12,474	4,946	17,420
Depreciation	24,768	-	24,768
Miscellaneous	4,126	1,852	5,978
Attorney fees	-	250	250
Total Operating Expenses	<u>96,601</u>	<u>32,051</u>	<u>128,652</u>
Operating Loss	<u>(40,704)</u>	<u>(32,051)</u>	<u>(72,755)</u>
Nonoperating Revenues (Expenses)			
Interest earned	10,093	-	10,093
Insurance proceeds	<u>10,359</u>	<u>-</u>	<u>10,359</u>
Net Nonoperating Revenues	<u>20,452</u>	<u>-</u>	<u>20,452</u>
Net Income (Loss) before transfers	(20,252)	(32,051)	(52,303)
Transfers in (out)	<u>(10,000)</u>	<u>35,540</u>	<u>25,540</u>
Change in net assets	(30,252)	3,489	(26,763)
Net assets at beginning of year	751,904	-	751,904
Net assets at end of year	<u>\$ 721,652</u>	<u>\$ 3,489</u>	<u>\$ 725,141</u>

See accompanying notes.

VILLAGE OF MERRILL
INTERNAL SERVICE FUND

Equipment Fund

Village of Merrill
Equipment Fund
Comparative Balance Sheets
February 28, 2007 and 2006

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Cash	\$ 63,532	\$ 47,513
Total current assets	<u>63,532</u>	<u>47,513</u>
Noncurrent assets:		
Capital assets	267,262	282,036
Accumulated depreciation	<u>(168,367)</u>	<u>(142,171)</u>
Total capital assets	<u>98,895</u>	<u>139,865</u>
Total Assets	<u>\$ 162,427</u>	<u>\$ 187,378</u>
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 1,218	\$ 1,100
Total Liabilities	<u>1,218</u>	<u>1,100</u>
Net Assets		
Investment in capital assets	98,895	139,865
Unrestricted	<u>62,314</u>	<u>46,413</u>
Total Net Assets	<u>161,209</u>	<u>186,278</u>
Total Liabilities and Net Assets	<u>\$ 162,427</u>	<u>\$ 187,378</u>

See accompanying notes.

Village of Merrill
Equipment Fund
Comparative Statements of Revenues and Expenses
and Changes in Retained Earnings
For the Years Ended February 28, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Revenues		
Charge for services		
General Fund	\$ 28,328	\$ 21,340
Major Street Fund	12,586	31,588
Local Street Fund	3,570	10,783
Sewer Fund	12,474	6,564
Water Fund	4,946	-
Total Operating Revenues	<u>61,904</u>	<u>70,275</u>
Operating Expenses		
Wages and benefits	10,326	13,007
Audit	1,055	1,938
Supplies	2,301	1,608
Insurance	4,996	5,250
Repairs and maintenance	1,283	2,921
Depreciation	40,970	24,482
Building rent	2,678	2,678
Administrative reimbursement	7,265	7,265
Utilities	3,153	1,362
Miscellaneous	15,121	11,204
Total Operating Expenses	<u>89,148</u>	<u>71,715</u>
Operating Profit (Loss)	<u>(27,244)</u>	<u>(1,440)</u>
Non-operating Revenues (Expenses)		
Gain (loss) on disposal of assets	-	27,000
Interest earned	2,175	1,397
Total Nonoperating Revenues	<u>2,175</u>	<u>28,397</u>
Net Income (Loss)	(25,069)	26,957
Net Assets, Beginning	<u>186,278</u>	<u>159,321</u>
Net Assets, Ending	<u>\$ 161,209</u>	<u>\$ 186,278</u>

See accompanying notes.