

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY

FINANCIAL STATEMENTS

MARCH 31, 2007

### 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"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Burr Oak	County St. Joseph
Fiscal Year End March 31, 2007	Opinion Date June 27, 2007	Date Audit Report Submitted to State July 10, 2007	

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).

- Check each applicable box below.** (See instructions for further detail.)
- |     |    |  |
|-----|----|--|
| YES | NO |  |
|-----|----|--|
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 checked="" type="checkbox"/>	
Other (Describe)	<input type="checkbox"/>	
Certified Public Accountant (Firm Name) David F. Lacey, CPA, PC		Telephone Number
Street Address 6670 136 N. Mable		City Sturgis
Authorizing CPA Signature <i>[Signature]</i>		State MI
Printed Name DAVID LOLEY		Zip 49091
		License Number

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INDEPENDENT AUDITOR'S REPORT

To the Village Board  
Village of Burr Oak  
Burr Oak, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Burr Oak, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Burr Oak, Michigan'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in the Notes to the financial statements, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Village of Burr Oak, Michigan, as of March 31, 2007, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Burr Oak, Michigan, as of March 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

David F. Locey, CPA, PC  
Sturgis, Michigan  
June 27, 2007

Village of Burr Oak - St. Joseph County  
 Combined Balance Sheet  
 All Fund Types and Account Groups  
 March 31, 2007

	Governmental Fund Types		Proprietary Fund Types	Account Groups	Total (Memorandum Only)
	General	Special Revenue	Water and Sewer	General Fixed Assets	Reporting Entity
<u>ASSETS</u>					
Cash & cash equivalents	\$530,262	\$180,131	\$558,468	\$0	\$1,268,861
Receivables					
Taxes/services	17,928	7,486	29,170	0	54,584
Due from state	18,646	12,677	0	0	31,323
Due from other funds	213,625	226,971	7,809	0	448,405
Deferred charges	19,030	7,005	5,208	0	31,243
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	4,048,873	639,305	4,688,178
<b>Total Assets</b>	<b>\$799,491</b>	<b>\$434,270</b>	<b>\$4,649,528</b>	<b>\$639,305</b>	<b>\$6,522,594</b>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities					
Accounts payable - payroll	\$1,240	\$203	\$3,379	\$0	\$4,822
Accrued liabilities	4,980	0	34,344	0	39,324
Due to other funds	218,099	97,186	133,118	0	448,403
Other liabilities - bonds	0	0	2,654,000	0	2,654,000
<b>Total Liabilities</b>	<b>224,319</b>	<b>97,389</b>	<b>2,824,841</b>	<b>0</b>	<b>3,146,549</b>
Fund Equity					
Investment in Fixed Assets	0	0	0	639,305	639,305
Contributed Capital	0	0	4,587,396	0	4,587,396
Retained earnings	0	0	0	0	0
Reserved	0	0	0	0	0
Unreserved			(2,762,709)	0	(2,762,709)
Fund Balances					
Unreserved -- Undesignated	575,172	336,881	0	0	912,053
<b>Total Fund Equity</b>	<b>575,172</b>	<b>336,881</b>	<b>1,824,687</b>	<b>639,305</b>	<b>3,376,045</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$799,491</b>	<b>\$434,270</b>	<b>\$4,649,528</b>	<b>\$639,305</b>	<b>\$6,522,594</b>

Village of Burr Oak - St. Joseph County  
 Combined Statement of Revenues, Expenditures And Changes In Fund Balances - All  
 Governmental Fund Types  
 For the Year Ended March 31, 2007

	Governmental Funds		Total (Memorandum Only)
	General	Special Revenue	Reporting Entity
Revenues			
Taxes and Penalties	\$117,361	\$30,527	\$147,888
Licenses and Permits	3,442	0	3,442
State Grants	102,692	70,852	173,544
Fines and Forfeits	807	0	807
Interest and Rentals	24,749	3,981	28,730
Other Revenue	10,320	55,160	65,480
Total Revenues	<u>259,371</u>	<u>160,520</u>	<u>419,891</u>
Expenditures			
Current			
Legislative	3,840	0	3,840
General Government	60,721	0	60,721
Public Safety	153,016	122,799	275,815
Public Works	18,459	71,824	90,283
Recreation and Cultural	12,729	0	12,729
Total Expenditures	<u>248,765</u>	<u>194,623</u>	<u>443,388</u>
Excess of Revenues Over (Under) Expenditures	<u>10,606</u>	<u>(34,103)</u>	<u>(23,497)</u>
Other Financing Sources (Uses)			
Operating Transfers In	0	0	0
Operating Transfers (Out)	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	10,606	(34,103)	(23,497)
Prior Period Adjustment	0	0	0
Fund Balance - Beginning of the Year	<u>564,566</u>	<u>370,984</u>	<u>935,550</u>
Fund Balance - End of the Year	<u>\$575,172</u>	<u>\$336,881</u>	<u>\$912,053</u>

The Notes to the Financial Statements are an integral part of this statement.

Village of Burr Oak - St. Joseph County  
 Combined Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual  
 General Fund and Special Revenue Funds  
 For the Year Ended March 31, 2007

	General Fund		Over (Under) Budget
	Budget	Actual	
Revenues			
Taxes and Penalties	\$112,608	\$117,361	\$4,753
Licenses and Permits	3,864	3,442	(422)
State Grants	100,200	102,692	2,492
Fines and Forfeits	300	807	507
Interest and Rentals	16,992	24,749	7,757
Other Revenue	3,204	10,320	7,116
Total Revenues	237,168	259,371	22,203
Expenditures			
Current			
Legislative	6,804	3,840	(2,964)
General Government	93,006	60,721	(32,285)
Public Safety	146,862	153,016	6,154
Public Works	20,004	18,459	(1,545)
Recreation and Cultural	15,450	12,729	(2,721)
Total Expenditures	282,126	248,765	(33,361)
Excess of Revenues Over (Under) Expenditures	(44,958)	10,606	55,564
Other Financing Sources (Uses)			
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(44,958)	10,606	55,564
Prior Period Adjustment	0	0	0
Fund Balance - Beginning of the Year	564,566	564,566	0
Fund Balance - End of the Year	\$519,608	\$575,172	\$55,564

The Notes to the Financial Statements are an integral part of this statement.

Special Revenue Funds			Total (Memorandum Only) Reporting Entity		
Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
\$19,920	\$30,527	\$10,607	\$132,528	\$147,888	\$15,360
0	0	0	3,864	3,442	(422)
68,280	70,852	2,572	168,480	173,544	5,064
0	0	0	300	807	507
1,980	3,981	2,001	18,972	28,730	9,758
69,810	55,160	(14,650)	73,014	65,480	(7,534)
159,990	160,520	530	397,158	419,891	22,733
0	0	0	6,804	3,840	(2,964)
0	0	0	93,006	60,721	(32,285)
	122,799	122,799	146,862	275,815	128,953
156,018	71,824	(84,194)	176,022	90,283	(85,739)
0	0	0	15,450	12,729	(2,721)
156,018	194,623	38,605	438,144	443,388	5,244
3,972	(34,103)	(38,075)	(40,986)	(23,497)	17,489
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
3,972	(34,103)	(38,075)	(40,986)	(23,497)	17,489
0	0	0	0	0	0
370,984	370,984	0	935,550	935,550	0
\$374,956	\$336,881	(\$38,075)	\$894,564	\$912,053	\$17,489

Village of Burr Oak - St. Joseph County  
 Combined Statement of Revenues, Expenses, and Changes in Retained Earnings  
 Proprietary Fund Types  
 For the Year Ended March 31, 2007

	Proprietary Fund Types		Total (Memorandum Only)
	Water	Sewer	Reporting Entity
<b>Operating Revenues</b>			
Interest Income	\$10,504	\$11,878	\$22,382
Charges for Services	163,886	215,505	379,391
<b>Total Operating Revenues</b>	<b>174,390</b>	<b>227,383</b>	<b>401,773</b>
<b>Operating Expenses</b>			
Administration	8,757	8,603	17,360
Salaries and wages	18,713	11,324	30,037
Fringe benefits	5,841	5,231	11,072
Contractual services	0	110,055	110,055
Miscellaneous	106,278	16,832	123,110
Depreciation	135,486	212,783	348,269
<b>Total Operating Expenses</b>	<b>275,075</b>	<b>364,828</b>	<b>639,903</b>
<b>Operating Income</b>	<b>(100,685)</b>	<b>(137,445)</b>	<b>(238,130)</b>
<b>Nonoperating Revenues</b>			
Interest Expense	0	36,330	36,330
<b>Net Income</b>	<b>(100,685)</b>	<b>(173,775)</b>	<b>(274,460)</b>
Prior Period Adjustment	1,038	0	1,038
Retained Earnings/Fund Balance-Beginning of Year	195,878	(2,685,165)	(2,489,287)
Retained Earnings/Fund Balance - End of the Year	<u>\$96,231</u>	<u>(\$2,858,940)</u>	<u>(\$2,762,709)</u>

Village of Burr Oak - St. Joseph County  
 Combined Statement of Cash Flows - - All Proprietary Fund Types  
 Increase (Decrease) in Cash and Cash Equivalents  
 For the Year Ended March 31, 2007

	Proprietary Fund Types		Total (Memorandum Only)
	Water	Sewer	Reporting Entity
<b>Cash Flows From Operating Activities</b>			
Cash Charges for Services	\$157,057	\$208,623	\$365,680
Cash Payments to Employees for Services and Cash Payments to Suppliers for Goods and Services	(116,881)	(188,666)	(305,547)
<b>Net Cash Provided by Operating Activities</b>	<b>40,176</b>	<b>19,957</b>	<b>60,133</b>
<b>Cash Flows From Noncapital Financing Activities</b>			
Transfers In	(114,669)	(93,741)	(208,410)
Transfers (Out)	0	0	0
Grants Receipts	1,808,700	0	1,808,700
Sale of Bonds	1,009,000	0	1,009,000
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>2,703,031</b>	<b>(93,741)</b>	<b>2,609,290</b>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Payment of Principal - Expense	0	(12,000)	(12,000)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>0</b>	<b>(12,000)</b>	<b>(12,000)</b>
<b>Cash Flows From Investing Activities</b>			
Interest on Cash Equivalents	10,504	0	10,504
Investment - Equipment - Infrastructure	(2,835,610)	11,878	(2,823,732)
<b>Net Cash Provided by Investing Activities</b>	<b>(2,825,106)</b>	<b>11,878</b>	<b>(2,813,228)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(81,899)</b>	<b>(73,906)</b>	<b>(155,805)</b>
Cash and Cash Equivalents at Beginning of the Year	375,791	338,482	714,273
<b>Cash and Cash Equivalents at End of the Year</b>	<b>\$293,892</b>	<b>\$264,576</b>	<b>\$558,468</b>

The Notes to the Financial Statements are an integral part of this statement.

Combined Statement of Cash Flows -- All Proprietary Fund Types  
Increase (Decrease) in Cash and Cash Equivalents (Continued)

	Water	Sewer	Total (Memorandum Only)
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$34,801	\$39,008	\$73,809
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Decrease (Increase) in Accounts Receivable	(7,197)	(6,882)	(14,079)
Decrease (Increase) in Nonoperating Income	(10,504)		(10,504)
Increase (Decrease) in Accounts Payable		(291)	(291)
Increase (Decrease) in Other Accrued Expense	23,076		23,076
Increase (Decrease) in Nonoperating Income		(11,878)	(11,878)
Net Cash Provided by Operating Activities	<u>\$40,176</u>	<u>\$19,957</u>	<u>\$60,133</u>

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2007

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

The Village of Burr Oak is located in St. Joseph County and provides services in many areas including public safety, highways and streets, general administrative services, and community enrichment.

PRINCIPLES USED IN DETERMINING THE SCOPE OF ENTITY FOR FINANCIAL REPORTING PURPOSES

REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board Statement #14 "The Financial Reporting Entity". The Village of Burr Oak, Michigan operates under a council form of government. The accompanying financial statements present the Village's primary government and component units (none) over which the Village exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationship with the Village of Burr Oak.

The major operations of the Village include water, sewer, fire protection, street department, and general administrative services.

Criteria - primary vs. component unit (none)  
Oversight Responsibilities

- A. Financial interdependency - responsibility for financial deficits or entitlement to surpluses
- B. Selection of governing authority
- C. Designation of management
- D. Ability to significantly influence operations
- E. Accountability for fiscal matter

BASIS OF PRESENTATION

FUND ACCOUNTING

The accounts of the Village of Burr Oak are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprises its assets, liabilities, fund balance, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2007

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT.)**

The funds are grouped into two fund types and eight generic funds as described below:

GOVERNMENTAL FUND TYPES

These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General Fund - This fund is established to account for resources devoted to financing the general services that the Village performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the Village are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue Funds - The Village of Burr Oak has four Special Revenue Funds, the Major Street Fund, the Local Street Fund, the Municipal Street Fund, and the Fire Fund. These funds are established to account for the proceeds of specific revenue sources other than special assessments, expendable trust, or major capital projects that are legally restricted to expenditures for specified purposes.

PROPRIETARY FUND TYPES

These funds account for operations that are self-supporting through user charges. The funds included in this category are Enterprise Funds.

Enterprise Funds - The Village of Burr Oak has two enterprise funds, the Water Fund and the Sewer Fund. These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs of provided goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

GENERAL FIXED ASSETS ACCOUNT GROUP

This is not a fund but rather an account group that is used to account for general fixed assets acquired principally for general purposes and excludes fixed assets in the Enterprise Funds.

BASIS OF ACCOUNTING

Governmental funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable. Licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash. General property taxes, self-assessed taxes, and investment earnings are recorded when earned (when they are both measurable and available), within sixty days.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service, prepaid expenses, and other long-term obligations which are recognized when paid.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2007

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT.)**

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Interest on revenue bonds, proceeds of which are used in financing the construction of certain assets, is capitalized during the construction period net of interest on the investment of unexpended bond proceeds.

BUDEETARY DATA

Formal budgetary accounting is employed as a management control for all funds of the Village. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General Fund, Special Revenue Funds, and Proprietary Funds and the same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on a generally accepted accounting principles basis.

All unencumbered budget appropriations lapse at the end of each fiscal year, council adopted fiscal year 3/07 budget in 3/06.

Village Board amended various budget items from originally adopted amounts, approved in minutes of the meetings. Budgeted data is in total, not a line item basis, under this method certain line items may exceed budgeted amount but not in total.

ASSETS, LIABILITIES, AND FUND EQUITY

Cash - Some funds have established their own checking accounts. To facilitate better management of the Village's cash resources, some cash is combined in pooled operating accounts. Each fund's portion of total cash is based on its equity in the pooled cash amount.

Property, Plant and Equipment - Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) fixed assets consisting of certain improvements other than buildings, such as roads, sidewalks, and bridges are not capitalized. Property, plant, and equipment acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group. Property, plant, and equipment acquired for proprietary funds is capitalized in the respective funds to which it applies. Property, plant, and equipment is stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2007

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT.)**

Depreciation is recorded over the useful life of assets -

Sewer Fund 10 - 40 years

Water Fund 20 years

Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on proprietary funds' balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

Fund equity - The unreserved fund balance for governmental funds represents the amount available for budgeting future operations.

REVENUE RECOGNITION

Property tax revenue recognition - The local unit property tax is levied on each July 1 on the state equalized valuation of property located in the Village of Burr Oak as of the preceding December 31. These amounts are recognized in the respective general fund and special revenue fund financial statements as taxes receivables or current tax collection.

TOTAL COLUMN ON COMBINED STATEMENTS -- OVERVIEW

The total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or changes in financial position, in conformity with generally accepted accounting principles, also is not data comparable to a consolidation because interfund eliminations have not been made in the aggregation of this data.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED MARCH 31, 2007

**SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONT.)**

CASH AND CASH EQUIVALENTS

Deposits are carried at cost. Deposits of the Village are at one bank in the name Village of Burr Oak. Michigan Compiled Laws (MCL), Sections 129.91, authorizes a local unit to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States in which principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which matures not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan Law prohibits security in the form of collateral, security bonds, or other forms for the deposit of public money.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Governmental Accounting Standards Board (GASB) Statement No. 3, risk disclosures for the Village's cash deposits are as follows:

	<u>Primary Government</u>
<u>Deposits</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$100,000
Uninsured	<u>1,168,861</u>
Total Deposits	<u>\$1,268,861</u>

All investments(money market accounts) with maturates of 90 days or less are considered a cash equivalent.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED MARCH 31, 2007

**FIXED ASSETS**

A summary of changes in general fixed assets follows:

	Balance 4/1/06	Additions	Delotions	Balance 3/31/07
Land	\$25,008	\$0	\$0	\$25,008
Buildings	103,267	0	0	103,267
Improvements other than Buildings				
Equipment	511,030	111,891	0	622,921
Total	<u>\$639,305</u>	<u>\$111,891</u>	<u>\$0</u>	<u>\$751,196</u>

**DEPRECIABLE ASSETS - PROPRIETARY FUND**

	Cost	Acc. Dprec.	Undeprec. Cost
Sewer Fund	\$3,545,795	\$3,107,146	\$438,649
Water Fund	3,793,610	183,386	3,610,224
	<u>\$7,339,405</u>	<u>\$3,290,532</u>	<u>\$4,048,873</u>

Current year depreciation changes were \$348,269.

**BONDS PAYABLE - NOTES PAYABLE - SEWER FUND**

**BOND INDENTURE**

Farmers Home Administration - Sewer fund is covered by a bond debt for infrastructure and equipment, current balance as of March 31, 2007 is \$687,000, \$12,000 is due within one year plus interest semi annually on March 1 and September 1. Original balance was \$797,000.

Village of Burr Oak - St. Joseph County  
Sewer Fund  
Statement of Bonded Indebtedness  
For the Year Ended March 31, 2007

ISSUE DATE SEPTEMBER 1, 1993 IN THE AMOUNT OF	\$797,000
Less: Bonds paid in prior years	98,000
Bonds due and paid on September 1, 2006	12,000
	\$687,000

Bonds payable as follows:

Year	Principal	Year	Principal
2007	12,000	2019	23,000
2008	13,000	2020	24,000
2009	14,000	2021	25,000
2010	14,000	2022	27,000
2011	15,000	2023	28,000
2012	16,000	2024	30,000
2013	17,000	2025	31,000
2014	18,000	2026	33,000
2015	19,000	2027	35,000
2016	20,000	2028	36,000
2017	21,000	2029	37,000
2018	22,000	2030	39,000
		2031	39,000
		2032	39,000
		2033	40,000
			\$687,000

The above Sewer Supply System Revenue Bonds are payable annually on September 1, with interest at 5.25% payable March 1 and September 1.

Principal of this bond is subject to prepayment prior to maturity, in inverse chronological order, at the issuer's option, on any interest payment date on or after September 1, 2006, accrued interest to the date fixed for prepayment.

The sewer fund's resources are the source of funds to repay the long-term debt of the bonds.

Village of Burr Oak - St. Joseph County  
 Water Fund  
 Statement of Bonded Indebtedness  
 For the Year Ended March 31, 2007

Water Fund - Construction

Bonds payable as follows:

Year	Principal	Year	Principal
2007	20,000	2026	45,000
2008	20,000	2027	47,000
2009	22,000	2028	49,000
2010	23,000	2029	52,000
2011	24,000	2030	53,000
2012	25,000	2031	57,000
2013	26,000	2032	59,000
2014	27,000	2033	61,000
2015	28,000	2034	63,000
2016	29,000	2035	66,000
2017	30,000	2036	69,000
2018	31,000	2037	71,000
2019	33,000	2038	75,000
2020	35,000	2039	80,000
2021	37,000	2040	83,000
2022	37,000	2041	85,000
2023	40,000	2042	90,000
2024	41,000	2043	93,000
2025	43,000	2044	97,000
		2045	101,000
			\$1,967,000

The Village has undertaken a water improvement project, expected to cost \$3,845,000 of which \$1,985,000 will be funded by bonds and the balance in the form of a grant.

As of March 31, 2007, all of the \$1,985,000 of the bond indebtedness has been drawn against construction costs. Semiannual payments on May 1 and November 1 are due with interest and principal per the schedule above. Interest on indebtedness is 4.125%.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2007

**SEGMENT INFORMATION FOR PROPRIETARY FUNDS**

Village operates a municipal water department and a sewer operation also.

Water department bills local businesses and residences on a monthly basis, depreciation is on a straight line basis of 10 to 40 years depending on type of asset. The Village has operational sewer infrastructure, they do not have a treatment plant, it is piped into Sturgis, Michigan.

The Village maintains two proprietary funds which provide water and sewer services. Segment information for the year ended March 31, 2007 was as follows:

	Water	Sewer	Total Proprietary Funds
Operating Revenues (Deficit)	\$34,801	\$39,008	\$73,809
Depreciation	135,486	212,783	348,269
Operating Income (Loss)	(100,685)	(173,775)	(274,460)
Operating Grants	0	0	0
Operating Transfers			
In	0	0	0
Out	0	0	0
Tax Revenue	0	0	0
Net Income (Loss)	(100,685)	(173,775)	(274,460)
Current Capital			
Contributions	1,808,700	0	1,808,700
Transfers	0	0	0
Proprietary, Plant and Equipment			
Additions	0	0	0
Deletions	0	0	0
Net Working Capital	252,077	145,737	397,814
Total Assets	3,926,220	723,308	4,649,528
Bonds and Other Long Term Liabilities	1,967,000	687,000	2,654,000
Payable from Operation Revenues	1,967,000	687,000	2,654,000
Payable From Other Services	0	0	0
Total Equity	<u>\$1,915,301</u>	<u>(\$90,614)</u>	<u>\$1,824,687</u>

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2007

**INTERFUND RECEIVABLES AND PAYABLES**

Interfund transactions between various governmental, special revenue and proprietary fund types occur during the fiscal year.

Principally, these transactions arise from operating subsidies. Transactions that have not resulted in the actual transfer of cash as of the end of the fiscal year are recorded as amounts due from (fund receivable) and due to (fund liability) other funds. For financial reporting purposes, current amounts are shown in the respective fund balance sheet. At the end of each fiscal year, the amount of interfund receivables is equal to the amount of interfund payables.

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund		
Municipal Street	\$32,808	\$48,326
Sewer	123,916	0
Fire	46,103	0
Water	9,551	8,157
Local Street	1,247	0
Major Street	0	161,616
Major Street Fund		
General	161,614	0
Local		
Municipal		
Local Street Fund		
General	0	1,247
Major		
Municipal		
Municipal Street Fund		
General	50,937	35,418
Local		
Major		
Water Fund		
General	7,809	9,202
Sewer Fund		
General	0	123,916
Fire Fund		
General	14,418	60,521
	<u>\$448,403</u>	<u>\$448,403</u>

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2007

**POST EMPLOYMENT BENEFITS - No benefits are available**

**DEFINED CONTRIBUTION PLAN**

Effective Date: July 1, 1991, with an anniversary of March 31 of each year.

Eligibility: Any employee or independent contractor, of the village, who earns more than \$100 per calendar year.

Employee/Contractor Contributions: An employee/contractor may enter into the program by agreeing to contribute from 4.03% of their compensation to 25% of their compensation (the maximum shall be reduced by any contribution made by the Village). The employees contribution shall be effective, the first of the month, following such election. The election may be changed, on the first of any month, by filing the appropriate form, with the Village Clerk, prior to the month the effects shall take place.

Village Contribution: The Village will contribute, for each employee that is not covered by the Village's 218 (Social Security) agreement, 3.75% of pay. The effect of the employee's and Village's contribution is to satisfy the required 7 1/2% of total compensation retirement contribution necessary to meet the Social Security OAS & D 'substitute' requirements. Employees who are covered by Social Security will not receive any Village contributions.

Vesting: All Monies contributed by the employee/contractor and Village contributions will be 100% vested at all times.

Funding: All employee and Village contributions (except de minimus amounts) shall be paid into a variable annuity contract, issued by Northwestern Mutual Life Insurance Company. Payments shall be made quarterly providing a minimum of \$25 deposit (employee and Village combined). DeMinimus Amounts: If the total contributions by employee and village are less than \$25 per year, such amounts will be accumulated, at the Village, and paid without interest upon the employees payment commencement date.

Payment Commencement Date: The employee may have the annuity contract begin benefit payments upon the later of the following:

1. separation of employment (or contractual agreement) with the Village
2. retirement (no later than age 70)
3. death
4. unforeseen financial emergency

Methods of Payments: The employee or beneficiary may elect any of the following distribution payments:

1. equal payments for life
2. equal payments for a specified period of time (5 years, 10 years, etc.)
3. equal payments over the employee's life and the life of a spouse or contingent annuitant.
4. lump-sum (if monies are withdrawn before eight years or not on account of the death of the employee/contractor a reducing surrender charge will be made)

**DEFICIT RETAINED EARNINGS OF INDIVIDUAL FUNDS**

Sewer Fund	(\$2,858,940)
Fire Fund	(\$36,560)

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2007

**RISK MANAGEMENT**

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Village has participated in the Michigan Participating Plan since January 1, 1987. The plan covers general liability, non-owned/hired automobile liability, errors and omissions, property damage, and inland marine. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 fiscal years.

The MTTP was created pursuant to the authority of a) Article 7, section 28, Michigan Constitution of 1963; b) Section 1 Chapter 124, Michigan Compiled Laws (PA No. 35, 1951, as amended by PA No. 138, 1982). The Village voted unanimously to enter into this cooperative action agreement October 2, 1986 and have continued their membership since.

**Michigan Village Participating Plan Description**

The Michigan Participating Plan was established April 1, 1985, pursuant to laws of the State of Michigan which authorize local units of government to exercise jointly any power, privilege or authority which each might exercise separately. The purpose of the plan is to jointly exercise powers common to each participating member; to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect, in accordance with this agreement, any member of the authority against liability or loss. The powers and duties created hereunder and the described activities of the plan are not intended to constitute the issuance of a policy of insurance. The members intend, in the creation of the plan, to establish an organization for joint risk management and have not created as between member and member any relationship for the debts of or claims against any member.

The MTTP, while it operates under the Michigan Legislation of PA 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Participating Plan. Due to this reinsurance purchase, there is no pooling of risk between members. The plan has protected itself in the event of reinsurance becomes uncollectible by purchasing reinsurance treaties for uncollectible reinsurer. The Participating Plan chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverages 100 percent, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

VILLAGE OF BURR OAK, ST. JOSEPH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED MARCH 31, 2007

The Plan entered into a similar agreement with American Commercial Liability Insurance Company.

Based on actuarial study performed by William M. Mercer, Inc., the MTTP had the following open case reserves and IBNR reserves at June 30, 1996 under these commutation agreements:

<u>Case Loss Reserves</u>	<u>IBNR Reserves</u>	<u>Total Reserves</u>
\$313,550	\$31,252	\$344,802

At June 30, 1996, the Plan has reinsurance limits in the amount of \$693,119 to cover the reserves.

The Plan has continued to use the services of Integrated Runoff Insurance Services Corporation (IRISC) to assist in formalizing loss reserve standards and in settling loss and loss adjustment expense reserves. IRISC has maintained its philosophy that the potential for governmental immunity should be ignored when setting case reserves, even though trends continue to indicate that average cases close for substantially less than the reserve estimates.

**COMMITMENTS AND CONTINGENCIES**

Management of the Village is not aware of any material commitments or contingent liabilities.

**COMPENSATED ABSENCE**

Vacation, sick leave, and other compensated absences - The Village of Burr Oak has no carry over vacation, sick pay, or compensated absences at the end of the current fiscal year. All compensated absences must be used during the fiscal year earned or they are lost.

**GASB 34 REPORTING FINANCIAL**

Village has elected not to convert to GASB 34 format, therefore assets owned by the Village such as building and equipment are not stated at current values as of 03/31/07, also no current charge is being recorded for current year depreciation, other than in the proprietary funds. Accordingly the Management Discussion Analysis Letter, Statement of Net Assets, and Statement of Activities are not included per GASB 34 format.

Village of Burr Oak - St. Joseph County  
General Fund  
Balance Sheet  
March 31, 2007

ASSETS

Cash & cash equivalents	\$530,262
State revenue receivable	18,646
Taxes - miscellaneous receivable	17,928
Due from other funds	213,625
Prepaid insurance	<u>19,030</u>
Total Assets	<u><u>\$799,491</u></u>

LIABILITIES AND FUND BALANCE

Accounts payable	\$1,240
Due to State-Federal taxes	4,980
Due to other funds	<u>218,099</u>
Total Liabilities	224,319
Fund Balance	<u>575,172</u>
Total Liabilities and Fund Balance	<u><u>\$799,491</u></u>

Village of Burr Oak - St. Joseph County  
General Fund  
Statement of Revenues, Expenditures And Changes in Fund Balance Compared to Budget  
For the Year Ended March 31, 2007

	Budget	Actual	Over (Under) Budget
<b>Revenues</b>			
Property tax/county 1 mill	\$112,608	\$117,361	\$4,753
Penalties and interest on taxes	0	0	0
Licenses and permits	3,864	3,442	(422)
State shared revenues	100,200	102,692	2,492
Charges for services	0	0	0
Fines and forfeits	300	807	507
Building and equipment rental	12,000	10,400	(1,600)
Reimbursement of expenses	2,700	0	(2,700)
Interest earned	4,992	14,349	9,357
Miscellaneous	504	10,320	9,816
<b>Total Revenues</b>	<b>237,168</b>	<b>259,371</b>	<b>22,203</b>
<b>Expenditures</b>			
Legislative	6,804	3,840	(2,964)
Executive	15,126	10,586	(4,540)
Elections	0	0	0
Financial administration	5,622	8,694	3,072
Other general government	39,918	12,093	(27,825)
Police Department	71,190	68,549	(2,641)
Inspection	516	192	(324)
Highways, streets, bridges	20,004	18,459	(1,545)
Sanitation/DPW	38,016	44,146	6,130
Leaf pick-up	5,328	4,085	(1,243)
Cultural	5,004	5,000	(4)
Recreation	10,446	7,729	(2,717)
Contributions to other units	31,812	36,044	4,232
Other functions	32,340	29,348	(2,992)
<b>Total Expenditures</b>	<b>282,126</b>	<b>248,765</b>	<b>(33,361)</b>
<b>Excess of Revenues Over (Under)</b>			
Expenditures	(44,958)	10,606	55,564
<b>Other Financing Sources (Uses)</b>			
Operating Transfers - In	0	0	0
Operating Transfers - Out	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>(\$44,958)</b>	<b>\$10,606</b>	<b>\$55,564</b>

Village of Burr Oak - St. Joseph County  
General Fund  
Statement of Expenditures

	Years Ended March 31,	
	2007	2006
<b>LEGISLATIVE</b>		
Village Council - salaries	\$3,840	\$6,174
Total Legislative	3,840	6,174
<b>EXECUTIVE</b>		
Village President - salary	900	1,050
Capital outlay	0	4,883
Travel/dues/supplies	2,523	833
Administrative payroll	7,163	7,964
Total Executive	10,586	14,730
<b>ELECTIONS</b>		
Election expense:		
Wages	0	0
Printing and publishing	0	0
Auto expense/postage/miscellaneous	0	0
Board of canvassers	0	0
Total Elections	0	0
<b>FINANCIAL ADMINISTRATION</b>		
General village expenses:		
Postage and freight	677	0
Office supplies	0	1,172
Printing and publishing	0	0
Travel/miscellaneous	2,843	3,597
Capital Equipment	0	3,012
Professional services	0	0
Telephone	0	1,238
Total General Administration	3,520	9,019
Clerk:		
Salary	950	950
Office supplies	0	48
Printing	0	0
Professional/miscellaneous	2,503	3,174
Total Clerk	3,453	4,172

Village of Burr Oak - St. Joseph County  
Statement of General Fund Expenditures - Continued

	Years Ended March 31,	
	2007	2006
<b>FINANCIAL ADMINISTRATION - Continued</b>		
Treasurer:		
Salary	850	850
Postage/telephone/data processing	772	1560
Auto expense	62	22
Miscellaneous	37	27
<b>Total Treasurer</b>	<b>1,721</b>	<b>2,459</b>
<b>Total Financial Administration</b>	<b>8,694</b>	<b>15,650</b>
<b>OTHER GENERAL GOVERNMENT</b>		
Village Hall and grounds:		
Salaries	449	867
Electricity	742	679
Heat	218	3,136
Insurance	128	105
New equipment/improvements	7,692	0
Supplies	161	209
Miscellaneous	1,863	1,841
Repairs and maintenance	840	1,716
<b>Total Other General Government</b>	<b>12,093</b>	<b>8,553</b>
<b>POLICE DEPARTMENT</b>		
General operating expenses:		
Salaries - wages	40,718	15,115
Supplies	501	689
Repairs and maintenance	237	373
Communications	1,119	839
Auto expenses	1,770	1,489
Insurance and bonds	4,024	4,730
Postage/uniforms/miscellaneous	14,960	11,094
New equipment	750	0
Dues	235	875
Employer's benefits	4,235	1,156
<b>Total Police Department</b>	<b>68,549</b>	<b>36,360</b>

Village of Burr Oak - St. Joseph County  
Statement of General Fund Expenditures - Continued

	Years Ended March 31,	
	2007	2006
<b>INSPECTION</b>		
Building - contractual services	0	0
Flood control:		
Salaries	192	0
Supplies	0	0
Total Inspection	192	0
<b>HIGHWAY, STREETS AND BRIDGES</b>		
Street lighting	18,459	18,333
Total Highway, Streets and Bridges	18,459	18,333
<b>SANITATION DEPARTMENT OF PUBLIC WORKS</b>		
Salaries	13,325	14,017
Rental/miscellaneous	1,482	5,208
Supplies/uniforms/gas/repairs	3,056	4,764
Utilities/insurance	9,211	9,706
Capital Outlay	17,072	4,376
Total Sanitation	44,146	38,071
<b>LEAF PICK-UP</b>		
General operating expenses:		
Salaries	2,831	3,494
Supplies	1,254	867
Capital Outlay	0	0
Total Mosquito Control - Weed Control	4,085	4,361
<b>CULTURAL</b>		
Contribution to Village of Burr Oak		
Library Board	5,000	6,250
Total Cultural	5,000	6,250
<b>RECREATION</b>		
General operating expenses:		
Salaries	3,502	2,476
Operating supplies - miscellaneous	2,153	2,612
Repairs and maintenance	629	842
Equipment - capital improvements	1,445	1,002
Total Recreation	7,729	6,932

Village of Burr Oak - St. Joseph County  
Statement of General Fund Expenditures - Continued

	Years Ended March 31,	
	2007	2006
<b>CONTRIBUTIONS TO OTHER UNITS</b>		
Fire	36,044	6,250
Total Contributions to Other Funds	36,044	6,250
<b>OTHER FUNCTIONS</b>		
General operating expenses:		
Legal	13,196	3,600
Miscellaneous	3,856	10,159
Data processing/tax roll and statements	675	1,486
Employees' hospitalization insurance	2,849	2,645
Audit fees	456	945
Insurance and bonds	7,433	6,797
Promotional	0	0
Social security - Village share	883	4,287
Total Other Functions	29,348	29,919
Total General Fund Expenditures	\$248,765	\$191,583

Village of Burr Oak - St. Joseph County  
 General Fund  
 Statement of Changes in Fund Balance

	Years Ended March 31,	
	2007	2006
BALANCE - BEGINNING	\$564,566	\$511,384
Prior Period Adjustment	0	391
Add: Excess of revenues over expenditures	10,606	52,791
BALANCE - ENDING	\$575,172	\$564,566

Village of Burr Oak - St. Joseph County  
 Combining Balance Sheet - Special Revenue Funds  
 March 31, 2007

	Major Street	Local Street	Municipal Street	Fire	Total
<u>ASSETS</u>					
Cash and Interest Bearing Deposits	\$116,229	\$29,540	\$32,265	\$2,097	\$180,131
Accounts Receivable - State	9,165	3,512	0	0	12,677
Accounts Receivable - Taxes	0	0	5,394	2,092	7,486
Other Assets	1,107	416	0	5,482	7,005
Due From Other Funds	161,616	0	50,937	14,418	226,971
<b>Total Assets</b>	<u>\$288,117</u>	<u>\$33,468</u>	<u>\$88,596</u>	<u>\$24,089</u>	<u>\$434,270</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Accounts Payable	\$0	\$71	\$4	\$128	\$203
Due to Other Funds	0	1,247	35,418	60,521	97,186
<b>Total Liabilities</b>	<b>0</b>	<b>1,318</b>	<b>35,422</b>	<b>60,649</b>	<b>97,389</b>
Fund Equity					
Fund Balance	<u>288,117</u>	<u>32,150</u>	<u>53,174</u>	<u>(36,560)</u>	<u>336,881</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$288,117</u>	<u>\$33,468</u>	<u>\$88,596</u>	<u>\$24,089</u>	<u>\$434,270</u>

Village of Burr Oak - St. Joseph County  
Combining Statement of Revenues, Expenditures And Changes In Fund Balance  
All Special Revenue Funds  
For the Year Ended March 31, 2007

	Major Street	Local Street	Municipal Street	Fire	Total
<b>Revenues</b>					
Interest	\$2,957	\$372	\$406	\$246	\$3,981
Property Taxes	0	0	30,527	0	30,527
State Grants	51,221	19,631	0	0	70,852
Other Revenue	0	0	0	55,160	55,160
<b>Total Revenue</b>	<b>54,178</b>	<b>20,003</b>	<b>30,933</b>	<b>55,406</b>	<b>160,520</b>
<b>Expenditures</b>					
Public Works	34,627	18,610	18,587	0	71,824
Public Safety	0	0	0	122,799	122,799
<b>Total Expenditures</b>	<b>34,627</b>	<b>18,610</b>	<b>18,587</b>	<b>122,799</b>	<b>194,623</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>19,551</b>	<b>1,393</b>	<b>12,346</b>	<b>(67,393)</b>	<b>(34,103)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers In - General Fund	0	0	0		0
Transfer Out - General Fund	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>19,551</b>	<b>1,393</b>	<b>12,346</b>	<b>(67,393)</b>	<b>(34,103)</b>
Prior Period Adjustment	0	0	0	0	0
<b>Fund Balance - Beginning of the Year</b>	<b>268,566</b>	<b>30,757</b>	<b>40,828</b>	<b>30,833</b>	<b>370,984</b>
<b>Fund Balance - End of the Year</b>	<b>\$288,117</b>	<b>\$32,150</b>	<b>\$53,174</b>	<b>(\$36,560)</b>	<b>\$336,881</b>

Village of Burr Oak - St. Joseph County  
Major Street Fund  
Statement of Revenues, Expenditures And Changes In Fund Balance Compared To Budget  
For the Year Ended March 31, 2007

	Budget	Actual 2007	Over (Under) Budget
<b>Revenues</b>			
State Shared Revenue	\$46,224	\$49,506	\$3,282
Michigan State Building Fund	1,404	1,715	311
Miscellaneous - Interest	1,800	2,957	1,157
<b>Total Revenues</b>	<b>49,428</b>	<b>54,178</b>	<b>4,750</b>
<b>Expenditures</b>			
Highway, streets and bridges, building and equipment rental	5,040	5,000	(40)
Administrative salary	3,384	2,913	(471)
Routine maintenance:			
Salaries	4,920	4,341	(579)
Operating supplies	2,004	433	(1,571)
Repairs and maintenance	23,784	16,208	(7,576)
Audit, legal, professional	648	531	(117)
Insurance	3,222	2,874	(348)
Employer's social security taxes	552	555	3
Utilities - Misc.	3,252	1,772	(1,480)
<b>Total Expenditures</b>	<b>46,806</b>	<b>34,627</b>	<b>(12,179)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>2,622</b>	<b>19,551</b>	<b>16,929</b>
<b>Other Financing Sources (Uses)</b>			
Operating Transfers - Out	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>\$2,622</b>	<b>\$19,551</b>	<b>\$16,929</b>

Village of Burr Oak - St. Joseph County  
Major Street Fund  
Statement of Changes in Fund Balance

	Years Ended March 31,	
	2007	2006
BALANCE - BEGINNING	\$268,566	\$260,690
Add: Excess (deficiency) of revenues over over expenditures	19,551	7,876
BALANCE - ENDING	\$288,117	\$268,566

Village of Burr Oak - St. Joseph County  
Local Street Fund  
Statement of Revenues, Expenditures And Changes in Fund Balance Compared to Budget  
For the Year Ended March 31, 2007

	Budget	Actual 2007	Over (Under) Budget
Revenues			
Michigan State Funds	\$648	\$657	\$9
State Shared Revenue	20,004	18,974	(1,030)
Interest	204	372	168
<b>Total Revenues</b>	<b>20,856</b>	<b>20,003</b>	<b>(853)</b>
Expenditures			
Highway, streets and bridges, building and equipment rental	2,700	2,700	0
Administrative salary	2,748	2,443	(305)
Routine maintenance:			
Salaries and wages	3,972	3,637	(335)
Operating supplies	600	362	(238)
Repairs and maintenance	4,032	5,008	976
Audit, legal, professional	648	531	(117)
Insurance	2,226	1,462	(764)
Employer's social security taxes	576	465	(111)
Advertising/utilities/miscellaneous	2,424	2,002	(422)
<b>Total Expenditures</b>	<b>19,926</b>	<b>18,610</b>	<b>(1,316)</b>
Excess of Revenues Over (Under) Expenditures	930	1,393	463
Other Financing Sources (Uses)			
Operating Transfers - In	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<b>\$930</b>	<b>\$1,393</b>	<b>\$463</b>

Village of Burr Oak - St. Joseph County  
 Local Street Fund  
 Statement of Changes in Fund Balance

	Years Ended March 31.	
	2007	2006
BALANCE - BEGINNING	\$30,757	\$34,609
Add: Excess (deficiency) of revenues over (under) expenditures	1,393	(4,008)
Prior Period Adjustment	0	156
BALANCE - ENDING	\$32,150	\$30,757

Village of Burr Oak - St. Joseph County  
Municipal Street Fund  
Statement of Revenues, Expenditures And Changes in Fund Balance Compared to Budget  
For the Year Ended March 31, 2007

	Budget	Actual 2007	Over (Under) Budget
<b>Revenues</b>			
Property Taxes	\$19,920	\$30,527	\$10,607
Interest and Penalties	168	406	238
Sidewalk Construction	0	0	0
Reimbursements	0	0	0
Total Revenues	20,088	30,933	10,845
<b>Expenditures</b>			
Insurance	1,800	1,683	(117)
Salaries and wages	6,984	6,277	(707)
Equipment rental & supplies	3,900	3,074	(826)
Audit and legal fees	1,032	456	(576)
Employer's social security taxes - miscellaneous	5,952	7,097	1,145
Total Expenditures	19,668	18,587	(1,081)
Excess of Revenues Over (Under) Expenditures	420	12,346	11,926
<b>Other Financing Sources (Uses)</b>			
Operating Transfers - Out	0	0	0
Total Other Financing Sources (Uses)	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$420	\$12,346	\$11,926

Village of Burr Oak - St. Joseph County  
Municipal Street Fund  
Statement of Changes in Fund Balance

	Years Ended March 31,	
	2007	2006
BALANCE - BEGINNING	\$40,828	\$40,664
Add: Excess (deficiency) of revenues over (under) expenditures	12,346	164
BALANCE - ENDING	\$53,174	\$40,828

Village of Burr Oak - St. Joseph County  
 Fire Fund  
 Statement of Revenues, Expenditures And Changes in Fund Balance Compared to Budget  
 For the Year Ended March 31, 2007

	<u>Budget</u>	<u>Actual 2007</u>	<u>Over (Under) Budget</u>
Revenues			
Charges for Services	\$3,900	\$10	(\$3,890)
Contributions - Township & Village	65,706	55,150	(10,556)
Interest Earned - Deposits	12	246	234
Fire Truck	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	69,618	55,406	(14,212)
Expenditures			
Administration	6,600	6,600	0
Fire Department	31,818	31,482	(336)
Station and building	3,708	2,628	(1,080)
New equipment	<u>27,492</u>	<u>82,089</u>	<u>54,597</u>
Total Expenditures	<u>69,618</u>	<u>122,799</u>	<u>53,181</u>
Excess of Revenues Over (Under)			
Expenditures	0	(67,393)	(67,393)
Other Financing Sources (Uses)			
Operating Transfers - In	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$0</u>	<u>(\$67,393)</u>	<u>(\$67,393)</u>

Village of Burr Oak - St. Joseph County  
 Fire Fund  
 Statement of Changes in Fund Balance

	Years Ended March 31,	
	2007	2006
BALANCE - BEGINNING	\$30,833	\$40,910
Add: Excess (deficiency) of revenues over (under) expenditures	(67,393)	(6,283)
Prior Period Adjustment	0	(3,794)
 BALANCE - ENDING	 (\$36,560)	 \$30,833

Village of Burr Oak - St. Joseph County  
 Fire Fund  
 Statement of Expenditures

	Years Ended March 31,	
	2007	2006
<b>ADMINISTRATION</b>		
Salary - chief and assistant	\$6,000	\$6,000
Board meetings	<u>600</u>	<u>600</u>
Total Administration	6,600	6,600
 <b>FIRE DEPARTMENT</b>		
Salaries and wages	10,770	10,700
Audit/legal fees	558	1,069
Gas, oil, parking, truck	0	2,687
Insurance	11,702	6,076
Miscellaneous and supplies	<u>8,452</u>	<u>4,672</u>
Total Fire Department	31,482	25,204
 <b>STATION AND BUILDING</b>		
Heat and electricity	2,628	2,415
Repairs and maintenance	<u>0</u>	<u>0</u>
Total Station and Building	2,628	2,415
 <b>NEW EQUIPMENT</b>		
	<u>82,089</u>	<u>4,152</u>
Total Expenditures	<u>\$122,799</u>	<u>\$38,371</u>

Village of Burr Oak - St. Joseph County  
Water Supply System  
Balance Sheet  
March 31, 2007

ASSETS

CURRENT ASSETS

Cash Balances:

Operating and Maintenance \$293,892

Prepaid Insurance 1,186  
Water Billings Receivable 8,746  
Tax Receivable 4,363  
Due From Other Funds 7,809

Total Current Assets 22,104

FIXED ASSETS

At cost of \$3,793,610, net of accumulated  
depreciation of \$183,386 3,610,224

Total Assets \$3,926,220

The Notes to the Financial Statements are an integral part of this statement.

LIABILITIES, RESERVES, CONTRIBUTIONS AND RETAINED EARNINGS

CURRENT LIABILITIES

Accounts Payable	\$373
Bonds Payable	20,000
Accrued Interest Payable	34,344
Due to Other Funds	9,202
	<u>          </u>
Total Current Liabilities	63,919

LONG TERM DEBT

Bonds Payable	1,947,000
	<u>          </u>
Total Long Term Liabilities	1,947,000
	<u>          </u>
Total Liabilities	2,010,919

CONTRIBUTIONS - Municipality	10,370
CONTRIBUTIONS - USDA Grant	1,808,700

RETAINED EARNINGS	96,231
	<u>          </u>
Total Contributions and Retained Earnings	1,915,301
	<u>          </u>

Total Liabilities, Reserves, Contributions and Retained Earnings	<u>\$3,926,220</u>
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Village of Burr Oak - St. Joseph County  
Water Supply System  
Statement of Revenues and Expenses  
For the Year Ended March 31, 2007

REVENUES

Water Billings	\$163,886
Interest on Investments	<u>10,504</u>
Total Revenues	174,390

OTHER EXPENSES

Maintenance salaries	18,713
Village Officer Salaries	8,757
Payroll taxes - benefits	5,841
Office supplies and postage	1,617
Operating supplies	6,165
Repairs and maintenance	4,258
Professional fees	3,298
Telephone, advertising and insurance	1,887
Utilities	13,824
Interest	73,577
Miscellaneous	<u>1,652</u>
Total Operating Expenses Before Depreciation	<u>139,589</u>

NET OPERATING INCOME (LOSS) BEFORE  
DEPRECIATION

34,801

Less: Depreciation

(135,486)

NET OPERATING INCOME (LOSS)

(100,685)

Less non-operating expenses:

Appropriated to General Fund

0

NET EARNINGS (LOSS)

(\$100,685)

Village of Burr Oak - St. Joseph County  
Water Supply System  
Statement of Changes in Retained Earnings  
For the Year Ended March 31, 2007

RETAINED EARNINGS - APRIL 1, 2005	\$195,878
Additions:	
Prior Period Adjustments	1,038
Net (loss) Earnings - Current Year	(100,685)
RETAINED EARNINGS - MARCH 31, 2006	<u>\$96,231</u>

Village of Burr Oak - St. Joseph County  
Water Fund  
Statement of Cash Flows  
For the Year Ended March 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$157,057
Cash payments to suppliers for goods and services	(89,411)
Cash payments to employees for services	<u>(27,470)</u>
Net cash provided (used) by operating activities	40,176

CASH FLOWS FROM (TO) NONCAPITAL FINANCING ACTIVITIES:

Payments from (to) other funds	(114,669)
Grant receipts	1,808,700
Sale of bonds	<u>1,009,000</u>
Net cash provided (used) by noncapital financing activities	2,703,031

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	10,504
Investment - Equipment - Infrastructures	<u>(2,835,610)</u>
Net cash provided (used) by investing activities	<u>(2,825,106)</u>
Net (decrease) in cash and cash equivalents	(81,899)
Cash and cash equivalents at beginning of year	<u>375,791</u>
Cash and cash equivalents at end of year	<u><u>\$293,892</u></u>

Village of Burr Oak - St. Joseph County  
Water Fund  
Reconciliation of Net Income to Net Cash Flows From Operating Activities  
For the Year Ended March 31, 2007

Net Income	\$34,801
Adjustments to reconcile net income to net cash provided by operating activities:	
Change in receivables	(7,197)
Change in accrued expenses	23,076
Nonoperating income	(10,504)
Net cash provided (used) by operating activities	<u>\$40,176</u>

SUPPLEMENTAL DISCLOSURES

Noncash Investing, Capital and Financing Transactions:

Currently no noncash investing and financing transactions exist.

Village of Burr Oak - St. Joseph County  
Water Supply System  
Statement of Earnings Compared to Budget  
For the Year Ended March 31, 2007

	Budget	Actual 2007	Over (Under) Budget
Revenues			
Water billings	\$148,512	\$163,886	\$15,374
Interest on investments	2,400	10,504	8,104
Total Revenues	150,912	174,390	23,478
Operating Expenses			
Maintenance salaries	12,600	18,713	6,113
Village officer salary	9,000	8,757	(243)
Payroll taxes	5,304	5,841	537
Office supplies and postage	1,308	1,617	309
Operating supplies	8,700	6,165	(2,535)
Repairs and maintenance	10,092	4,258	(5,834)
Professional fees	3,228	3,298	70
Telephone, advertising and insurance	1,416	1,887	471
Utilities	3,600	13,824	10,224
Interest	69,600	73,577	3,977
Miscellaneous	22,848	1,652	(21,196)
Total Operating Expenses Before Depreciation	147,696	139,589	(8,107)
NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION			
	3,216	34,801	31,585
Less Depreciation	0	(135,486)	(135,486)
NET OPERATING INCOME (LOSS)			
	3,216	(100,685)	(103,901)
Less non-operating expenses:			
Appropriated to General Fund	0	0	0
NET EARNINGS (LOSS)			
	\$3,216	(\$100,685)	(\$103,901)

Village of Burr Oak - St. Joseph County  
Sewer Fund  
Balance Sheet  
March 31, 2007

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$264,576
Accounts receivable - customers	16,061
Due from other fund	0
Prepaid insurance	<u>4,022</u>
Total Current Assets	284,659

FIXED ASSETS

At cost of \$3,545,795, net of accumulated depreciation of \$3,107,146	<u>438,649</u>
Total Assets	<u><u>\$723,308</u></u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable - interest payable	\$3,006
Bonds payable - FHA	12,000
Due to other funds	<u>123,916</u>
Total Current Liabilities	138,922

NON-CURRENT LIABILITIES

Bonds payable - FHA	<u>675,000</u>
Total Liabilities	813,922

EQUITY

Contributed capital	2,768,326
Retained earnings (Deficit)	<u>(2,858,940)</u>
Total Equity	<u>(90,614)</u>
Total Liabilities and Equity	<u><u>\$723,308</u></u>

Village of Burr Oak - St. Joseph County  
Sewer Fund  
Statement of Revenues and Expenses  
For the Year Ended March 31, 2007

REVENUES

Interest	\$11,878
Sales	215,505
 Total Revenues	 227,383

OPERATING EXPENSES

Maintenance wages	11,324
Administrative salaries	8,603
Payroll taxes - benefits	5,231
Supplies and postage	878
Interest	36,330
Repairs/maintenance/supplies	4,329
Professional fees	35,479
Telephone/insurance	8,064
Utilities/treatment	74,576
Miscellaneous-Capital outlay	<u>3,561</u>
 Total Operating Expenses Before Depreciation	 <u>188,375</u>
 NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION	  39,008
Less: Depreciation	<u>(212,783)</u>
 NET OPERATING INCOME (LOSS)	  (173,775)
 Less non-operating expenses:	
Appropriated to General Fund	<u>0</u>
 NET EARNINGS (LOSS)	  <u><u>(\$173,775)</u></u>

Village of Burr Oak - St. Joseph County  
Sewer Fund  
Statement of Changes in Retained Earnings  
March 31, 2007

RETAINED EARNINGS - APRIL 1, 2006	(\$2,685,165)
Current Net Income (Loss)	(173,775)
RETAINED EARNINGS - MARCH 31, 2007	<u>(\$2,858,940)</u>

Village of Burr Oak - St. Joseph County  
Sewer Fund  
Statement of Cash Flows  
For the Year Ended March 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$208,623
Cash payments for goods and services	(168,739)
Cash payments to employees for services	<u>(19,927)</u>
Net cash provided (used) by operating activities	19,957

CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES:

Net payments from (to) other funds	(93,741)
Payment - bonds	<u>(12,000)</u>
Net cash provided (used) by capital and related financing activities	(105,741)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest earned	<u>11,878</u>
Net cash provided (used) by investing activities	<u>11,878</u>
Net increase (decrease) in cash and cash equivalents	(73,906)
Cash and cash equivalents at beginning of year	<u>338,482</u>
Cash and cash equivalents at end of year	<u><u>\$264,576</u></u>

Village of Burr Oak - St. Joseph County  
Sewer Fund  
Reconciliation of Net Income to Net Cash Flows From Operating Activities  
For the Year Ended March 31, 2007

Net Income (Loss)	\$39,008
Adjustments to reconcile net income to net cash provided by operating activities:	
Change in accounts payable/accrued expenses	(291)
Nonoperating (income)	(11,878)
Change in accounts receivable	<u>(6,882)</u>
Net cash provided (used) by operating activities	<u>\$19,957</u>

SUPPLEMENTAL DISCLOSURES

Noncash Investing, Capital and Financing Transactions:

Currently no noncash investing and financing transactions exist.

Village of Burr Oak - St. Joseph County  
Sewer Fund  
Statement of Bonded Indebtedness  
For the Year Ended March 31, 2007

ISSUE DATE SEPTEMBER 1, 1993 IN THE AMOUNT OF	\$797,000
Less: Bonds paid in prior years	98,000
Bonds due and paid on September 1, 2006	<u>12,000</u>
Balance outstanding - March 31, 2007	<u><u>\$687,000</u></u>

Bonds payable as follows:

Year	Principal	Year	Principal
2007	12,000	2019	23,000
2008	13,000	2020	24,000
2009	14,000	2021	25,000
2010	14,000	2022	27,000
2011	15,000	2023	28,000
2012	16,000	2024	30,000
2013	17,000	2025	31,000
2014	18,000	2026	33,000
2015	19,000	2027	35,000
2016	20,000	2028	36,000
2017	21,000	2029	37,000
2018	22,000	2030	39,000
		2031	39,000
		2032	39,000
		2033	<u>40,000</u>
			<u><u>\$687,000</u></u>

The above Sewer Supply System Revenue Bonds are payable annually on September 1, with interest at 5.25% payable March 1 and September 1.

Principal of this bond is subject to prepayment prior to maturity, in inverse chronological order, at the issuer's option, on any interest payment date on or after September 1, 2006, accrued interest to the date fixed for prepayment.

Village of Burr Oak - St. Joseph County  
Sewer Fund  
Statement of Earnings Compared to Budget  
For the Year Ended March 31, 2007

	Budget	Actual 2007	Over (Under) Budget
<b>Revenues</b>			
Sewer lead in/miscellaneous	\$0	\$0	\$0
Interest	4,200	11,878	7,678
Sales	195,390	215,505	20,115
<b>Total Revenues</b>	<b>199,590</b>	<b>227,383</b>	<b>27,793</b>
<b>Operating Expenses</b>			
Maintenance wages	13,104	11,324	(1,780)
Administrative salaries	9,000	8,603	(397)
Payroll taxes - benefits	5,832	5,231	(601)
Supplies and postage	990	878	(112)
Interest	36,936	36,330	(606)
Repairs/maintenance/supplies	2,700	4,329	1,629
Professional fees	5,304	35,479	30,175
Telephone/insurance	7,296	8,064	768
Utilities/treatment	84,288	74,576	(9,712)
Miscellaneous - Capital outlay	27,948	3,561	(24,387)
<b>Total Operating Expenses Before Depreciation</b>	<b>193,398</b>	<b>188,375</b>	<b>(5,023)</b>
<b>NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION</b>	<b>6,192</b>	<b>39,008</b>	<b>32,816</b>
Less Depreciation	(212,783)	(212,783)	0
<b>NET OPERATING INCOME (LOSS)</b>	<b>(206,591)</b>	<b>(173,775)</b>	<b>32,816</b>
Less non-operating expenses:			
Appropriated to General Fund	0	0	0
<b>NET EARNINGS (LOSS)</b>	<b>(\$206,591)</b>	<b>(\$173,775)</b>	<b>\$32,816</b>

General Fixed Assets Account Group

	Years Ended March 31,	
	2007	2006
ASSETS		
Land	\$16,800	\$16,800
Land improvements	8,208	8,208
Buildings and accessories	103,267	103,267
Machinery and equipment	622,921	511,030
Total Assets	<u>\$751,196</u>	<u>\$639,305</u>
INVESTMENT IN GENERAL FIXED ASSETS	<u>\$751,196</u>	<u>\$639,305</u>

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

Village of Burr Oak Board  
Burr Oak, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Burr Oak, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Village of Burr Oak, Michigan's basic financial statements and have issued our report thereon dated June 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Burr Oak, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level risk that misstatements caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

## Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, management, Village Board, and federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

DAVID F. LOCEY, C.P.A., P.C.

Sturgis, Michigan  
June 27, 2007