

VILLAGE OF MORRICE  
SHIAWASSEE COUNTY  
FINANCIAL STATEMENTS  
FEBRUARY 28, 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 <b>VILLAGE OF MORRICE</b>	County <b>SHIAWASSEE</b>
Fiscal Year End <b>FEBRUARY 28, 2007</b>	Opinion Date <b>SEPTEMBER 28, 2007</b>	Date Audit Report Submitted to State		

We affirm that:

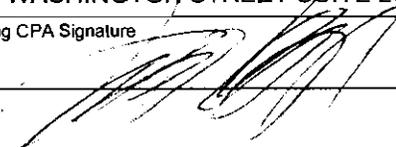
We are certified public accountants licensed to practice in Michigan.

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 | NO | <b>Check each applicable box below.</b> (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 checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) <b>DEMIS &amp; WENZLICK PC</b>		Telephone Number <b>989-723-8227</b>	
Street Address <b>217 N WASHINGTON STREET SUITE 201</b>		City <b>OWOSSO</b>	State Zip <b>MI 48867</b>
Authorizing CPA Signature 	Printed Name <b>James Demis</b>	License Number <b>8274</b>	

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable President  
And Village Council  
Village of Morrice, Michigan

We have audited the general purpose financial statements of the Village of Morrice, and its combining and individual fund financial statements as of and for the year ended February 28, 2007, as listed in the foregoing table of contents. These financial statements are the responsibility of the Village of Morrice management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and business-type activities as required by the Governmental Accounting Standards Board (GASB 34). Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. GASB 34 requires management's discussion and analysis which also has not been prepared.

In our opinion, except for the non-application of GASB 34, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Morrice as of February 28, 2007, and the results of its operation, and the cash flows of its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles in the United States of America. Also, in our opinion, the combining individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of the individual fund and account groups of the Village of Morrice at February 28, 2007 and the results of operations of such funds and cash flows of individual proprietary and similar trust funds for the year ended in conformity with generally accepted accounting principles. Our examination was made for the purpose of forming an opinion on the combined financial statements taken as a whole and on the combining and individual fund financial statements.

The accompanying financial information, listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the combined financial statements of the Village of Morrice. The information has been subjected to the auditing procedures applied in the financial statements of the combined, combining, and individual fund financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Our report of comments and recommendations has been submitted under date of September 28, 2007.

*Dennis and Wengler, PC*

Certified Public Accountants

Owosso, Michigan  
September 28, 2007

VILLAGE OF MORRICE  
 COMBINED BALANCE SHEET – ALL FUNDS, ACCOUNT GROUPS AND DISCRETELY  
 PRESENTED COMPONENT UNIT  
 FEBRUARY 28, 2007

	<u>Proprietary Fund Types</u>				<u>Account Groups</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Internal Service</u>	<u>Enterprise</u>	<u>General Fixed Assets</u>	<u>Component Unit</u>
<b>ASSETS:</b>						
Cash	\$ 60,359	\$124,881	\$32,925	\$ 149,950	\$	\$ 1,847
Accounts Rec.	8,061	336		40,711		
Due from Other Funds	7,080			30,638		
Fixed Assets (Net of Accum. Deprec.)				2,236,234	942,973	
Issuing & Financing Cost (Net of Acc. Amort.)				25,157		
Amount to be Provided						
	<u>\$75,500</u>	<u>\$125,217</u>	<u>\$32,925</u>	<u>\$2,482,690</u>	<u>\$942,973</u>	<u>\$ 1,847</u>
<b>LIABILITIES:</b>						
Accounts Payable	\$10,378	\$ 13,979	\$ 552	\$ 3,209	\$	\$
Due to Other Funds	30,638	7,080				
Accrued Int. Payable				12,515		
Long-Term Debt				<u>615,000</u>		
	<u>\$ 41,016</u>	<u>\$ 21,059</u>	<u>\$ 552</u>	<u>\$ 630,724</u>	<u>\$</u>	<u>\$</u>
<b>FUND EQUITY:</b>						
Contribution in Aid of Construction (Net of Accum. Amort.)	\$	\$	\$	\$1,414,220	\$	\$
Investment in General Fixed Assets					942,973	
Retained Earnings				437,746		
Fund Balance	<u>34,484</u>	<u>104,158</u>	<u>32,373</u>	<u>2,482,690</u>	<u>942,973</u>	<u>1,847</u>
	<u>\$ 75,500</u>	<u>\$125,217</u>	<u>\$32,925</u>	<u>\$2,482,690</u>	<u>\$942,973</u>	<u>\$ 1,847</u>

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

VILLAGE OF MORRICE  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL TYPES AND DISCRETELY REPORTED COMPONENT UNIT  
 YEAR ENDED FEBRUARY 28, 2007

	<u>General</u>	<u>Special Revenue</u>	<u>Component Unit</u>
<b>REVENUES:</b>			
Property Taxes	\$ 165,687	\$ 14,560	\$ 2,409
State Shared Revenues	89,404	80,513	
Cable Franchise Fees	2,000		
Interest Income	1,828	4,505	43
Charges for Services		116,009	
Police & Liquor Control	1,077		
Licenses & Permits	4,859		
Fines	3,375		
Assessments & Miscellaneous	<u>39,571</u>	<u>6,449</u>	<u>300</u>
<b>TOTAL REVENUES</b>	<b>\$307,801</b>	<b>\$222,036</b>	<b>\$ 2,752</b>
<b>EXPENDITURES:</b>			
Village Council	\$ 10,709	\$	\$
Elections	160		
Clerk	16,080		
Treasurer	5,738		
Halls	14,320		
Police	86,157		
Dept. of Public Works	8,065		
Library	2,324		
Zoning	6,409		
General Administrative	131,439		
Streets		68,398	
Transfer Station		87,435	
Senior Center		54,422	
DDA			<u>1,667</u>
<b>TOTAL EXPENDITURES</b>	<b>\$281,401</b>	<b>\$210,255</b>	<b>\$ 1,667</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES)</b>	<b>\$ 26,400</b>	<b>\$ 11,781</b>	<b>\$ 1,085</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfer In	\$ 40,460	\$ 45,500	\$
Transfer Out	<u>(32,933)</u>	<u>(54,460)</u>	<u>-----</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 7,527</b>	<b>\$ (8,960)</b>	<b>\$</b>
<b>EXCESS REVENUES AND OTHER SOURCE OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ 33,927</b>	<b>\$ 2,821</b>	<b>\$ 1,085</b>
Fund Balance March 1, 2006	557	80,817	762
Prior Period Adjustment		<u>20,520</u>	
<b>FUND BALANCE FEBRUARY 28, 2007</b>	<b>\$ 34,484</b>	<b>\$104,158</b>	<b>\$ 1,847</b>

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

VILLAGE OF MORRICE  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE AND COMPARISON OF BUDGET TO ACTUAL  
 YEAR ENDED FEBRUARY 28, 2007

	General Fund			Special Revenue Fund Types			Component Unit		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
<b>REVENUES:</b>									
Property Taxes	\$183,000	\$165,687	\$ 17,313	\$ 12,000	\$ 14,560	\$ (2,560)	\$ 3,000	\$ 2,409	\$ 591
State Shared Rev.	91,000	89,404	1,596	73,000	80,513	(7,513)			
Fines	1,000	3,375	(2,375)						
Cable Franch. Fees	2,500	2,000	500						
Interest Income	500	1,828	(1,328)	600	4,505	(3,905)	100	43	57
Police & Liq. Cont.	1,250	1,077	173						
Lic. & Permits		4,859	(4,859)						
Charges for Serv.				115,350	116,009	(659)			
Misc. Income	<u>9,095</u>	<u>39,571</u>	<u>(30,476)</u>	<u>18,200</u>	<u>6,449</u>	<u>11,751</u>		<u>300</u>	<u>(300)</u>
<b>TOTAL REV.</b>	<b>\$288,345</b>	<b>\$307,801</b>	<b>\$(19,456)</b>	<b>\$219,150</b>	<b>\$222,036</b>	<b>\$ (2,886)</b>	<b>\$ 3,100</b>	<b>\$ 2,752</b>	<b>\$ 348</b>
<b>EXPENDITURES:</b>									
Village Council	\$ 12,000	\$ 10,709	\$ 1,291	\$	\$	\$	\$	\$	\$
Elections	2,000	160	1,840						
Clerk	12,000	16,080	(4,080)						
Treasurer	3,000	5,738	(2,738)						
Halls	20,150	14,320	5,830						
Police	99,695	86,157	13,538						
Dept. of Public Works	8,700	8,065	635						
Library	2,650	2,324	326						
Zoning	2,100	6,409	(4,309)						
General Adm.	130,050	131,439	(1,389)						
Streets				116,400	68,398	48,002			
Transfer Station				95,650	87,435	8,215			
Senior Center				52,100	54,422	(2,322)			
DDA								<u>1,667</u>	
<b>TOTAL EXP.</b>	<b>\$292,345</b>	<b>\$281,401</b>	<b>\$ 10,944</b>	<b>\$264,150</b>	<b>\$210,255</b>	<b>\$ 53,895</b>	<b>\$ 3,100</b>	<b>\$ 1,667</b>	<b>\$ 1,433</b>
<b>REV. OVER (UNDER)</b>									
<b>EXPEND.</b>	<b>\$ (4,000)</b>	<b>\$ 26,400</b>	<b>\$(30,400)</b>	<b>\$(45,000)</b>	<b>\$ 11,781</b>	<b>\$(56,781)</b>	<b>\$</b>	<b>\$ 1,085</b>	<b>\$(1,085)</b>
<b>OTHER SOURCES (USES) OF FUNDS:</b>									
Operating Transfers In	\$	\$ 40,460	\$(40,460)	\$ 25,000	\$ 45,500	\$(20,500)	\$	\$	\$
Operating Transfers Out	<u>(16,000)</u>	<u>(32,933)</u>	<u>(16,933)</u>	<u>(10,000)</u>	<u>(54,460)</u>	<u>(44,460)</u>			
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$(16,000)</b>	<b>\$ 7,527</b>	<b>\$(23,527)</b>	<b>\$ 15,000</b>	<b>\$ (8,960)</b>	<b>23,960</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$(20,000)</b>	<b>\$ 33,927</b>	<b>\$(53,927)</b>	<b>\$(30,000)</b>	<b>\$ 2,821</b>	<b>\$(32,821)</b>	<b>\$</b>	<b>\$ 1,085</b>	<b>\$(1,085)</b>
Fund Balance 3-31-06		557			80,817			762	
Prior Period Adjustment					<u>20,520</u>				
<b>FUND BAL. 2-28-07</b>		<b>\$ 34,484</b>			<b>\$104,158</b>			<b>\$ 1,847</b>	

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

VILLAGE OF MORRICE  
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
 ALL PROPRIETARY FUND TYPES  
 FEBRUARY 28, 2007

	<u>Proprietary Fund Types</u>	
	<u>Enterprise</u>	<u>Internal Service</u>
<b>OPERATING REVENUES:</b>		
Charges for Services	\$149,081	\$ 39,626
Sewer Hook-Ups	25	
Interest Income	5,552	637
Land Rent & Miscellaneous	<u>4,760</u>	
	\$159,418	\$ 40,263
<b>OPERATING EXPENSES:</b>		
Salaries	\$ 28,290	\$ 4,861
Bank Fees		
Operating Supplies	4,393	325
Repairs & Maintenance	952	5,089
Equipment Rental	3,147	
Professional & Contracted Services	8,250	
Utilities & Telephone	6,058	
Audit & Legal	2,125	500
Interest Expense	38,478	
Amortization	2,096	
Depreciation	56,468	
Transportation		3,825
Insurance	4,500	2,000
Equipment		7,245
Lab Testing & Engineering	6,658	
Miscellaneous	3,413	
Capital Outlay	<u>7,500</u>	
TOTAL EXPENSES	\$172,328	\$ 23,845
<b>OPERATING INCOME (LOSS)</b>	<b>\$(12,910)</b>	<b>\$ 16,418</b>
<b>OTHER FINANCING SOURCES:</b>		
Transfers In	\$	\$
Transfers Out	<u>          </u>	<u>          </u>
<b>EXCESS OF REVENUES &amp; OTHER FINANCING SOURCES OVER EXPENSES</b>	<b>\$(12,910)</b>	<b>\$ 16,418</b>
<b>NON-OPERATING REVENUES:</b>		
Amortization of Contribution in Aid of Construction	<u>47,140</u>	
<b>NET INCOME</b>	<b>\$ 34,230</b>	<b>\$ 16,418</b>
Retained Earnings March 1, 2006	\$403,516	\$ 36,475
Prior Period Adjustment		<u>(20,520)</u>
<b>RETAINED EARNINGS FEB. 28, 2007</b>	<b><u>\$437,746</u></b>	<b><u>\$ 32,373</u></b>

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

VILLAGE OF MORRICE  
STATEMENT OF CASH FLOW  
ALL PROPRIETARY FUNDS  
YEAR ENDED FEBRUARY 28, 2007

	<u>Proprietary Fund Types</u>	
	<u>Enterprise</u>	<u>Internal Service</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income (Loss)	\$ 34,230	\$ (4,102)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	56,468	
Amortization – Financing Costs	2,096	
Amortization-Contribution in Aid of Construction	(47,140)	
(Increase) Decrease in Accounts Receivable	(4,707)	
(Increase) Decrease in Due from Other Funds	21,714	
Increase (Decrease) in Accounts Payable	2,110	(1,301)
(Increase) Decrease in Due to Other Funds	<u>(3,334)</u>	<u>(23,000)</u>
<b>NET CASH PROVIDED FROM OPERATING ACTIVITIES</b>	<b>\$ 61,437</b>	<b>\$(28,403)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase (Decrease) in Bonds Payable	<u>\$(25,000)</u>	\$_____
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>\$ 36,437</b>	<b>\$(28,403)</b>
<b>CASH &amp; CASH EQUIVALENTS BEGINNING OF YEAR</b>	<u>113,513</u>	<u>61,328</u>
<b>CASH &amp; CASH EQUIVALENTS END OF YEAR</b>	<u>\$149,950</u>	<u>\$ 32,925</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash Paid During the Year for:		
Interest	<u>\$ 38,478</u>	\$_____0

**DISCLOSURE OF ACCOUNTING POLICY:**  
With a maturity of three months or less to be cash equivalents.

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

VILLAGE OF MORRICE  
 ENTERPRISE FUND  
 DEBT SERVICE CHARGES TO MATURITY ON BONDED INDEBTEDNESS  
 FEBRUARY 28, 2007

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service Charges</u>
2007	\$ 30,000	\$ 37,545	\$ 67,545
2008	30,000	35,835	65,835
2009	30,000	34,095	64,095
2010	35,000	32,325	67,325
2011	35,000	30,225	65,225
Thereafter	<u>455,000</u>	<u>353,952</u>	<u>808,952</u>
	<u>\$615,000</u>	<u>\$523,977</u>	<u>\$1,138,977</u>

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

VILLAGE OF MORRICE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 28, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Morrice conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

FUND ACCOUNTING

The accounting of the Village is organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statement in this report, into generic fund types and broad fund categories as follows:

GOVERNMENT 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.

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

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

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 and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

USE OF ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

VILLAGE OF MORRICE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIXED ASSETS

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Asset Group, rather than in governmental funds. Public Domain ("infrastructure") general fixed assets consisting of certain improvements including buildings, but other than roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, and lighting systems are capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

This account group is not a fund. It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

VILLAGE OF MORRICE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIXED ASSETS (CONTINUED)

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimates useful lives using the straight-line method. The estimated useful lives used are as follows;

Infrastructure (Enterprise Funds)	39-50 Years
Equipment	5-10 Years

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts and sales tax are considered "measurable" when in the hands of intermediary collecting government and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception of this general rule is accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued.

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.

BUDGETS AND BUDGETARY ACCOUNTING

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in the Village to obtain taxpayer comments.
3. Prior to March 1, the budget is legally enacted through passage of an ordinance.

VILLAGE OF MORRICE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

4. The clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds and Enterprise Funds.
6. Budgets for the General, Special Revenue and Capital Project Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CASH AND INVESTMENTS

Investments are stated at cost or amortized cost, which approximate market. Cash includes amounts in demand deposits.

SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

Short-term interfund loans are classified as "due from other funds" or "due to other funds" on the balance sheet.

RESTRICTED ASSETS

Certain proceeds of Enterprise Fund Revenue Bonds, as well as certain resources set aside for repayment are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

ENCUMBRANCES

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting—under which purchase orders, contracts or other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – it utilized in the government fund types. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. There are no significant encumbrances at year end.

COMPENSATED ABSENCES

No liability is accrued at February 28, 2007 as it is less than one year's liability.

VILLAGE OF MORRICE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED FEBRUARY 28, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG-TERM OBLIGATIONS

The portion of long-term debt expected to be financed from expendable available financial resources is recognized as a liability of a governmental fund when due. The remaining portion of such obligation is reported in the general long-term debt account group. Long-term liabilities are expected to be financed from proprietary fund operations are accounted for in those funds.

PROPERTY TAXES

Property taxes attach an enforceable lien on property by the county. Taxes are levied on June 30, and payable on October 20. Property tax revenues are recognized when levied to the extent that they result in current receivables. The Village is permitted by the Municipal Finance Law of the State to levy taxes up to 15 mills total. The Village Council has allocated 12.2603 mills for governmental services.

NOTE B – REPORT ENTITY

For financial reporting purposes, in conformance with NCGA Statement No. 3, Defining the Governmental Reporting Entity, the Village of Morrice includes all funds, account groups, agencies, board, commissions, and authorities that are controlled by or dependent on the Village's executive or legislative branches (the Village Mayor or the Council, respectively). Control by or dependence on the Village was determined on the basis of budget adoption, taxing authority outstanding debt secured by revenues or general obligation of the Village to finance any deficits that may occur or receipt of significant subsidies from the Village.

Based on the foregoing criteria, the Downtown Development Authority is included in the Village's annual report.

VILLAGE OF MORRICE  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED FEBRUARY 28, 2007

NOTE C – CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>2-28-06</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>2-28-07</u> <u>Balances</u>
Land	\$ 10,918	\$	\$	\$ 10,918
Buildings & Improvement	607,883			607,883
Machinery & Equipment	246,354	65,936	(50,226)	262,064
Vehicles	<u>80,613</u>	<u>6,595</u>	<u>(25,100)</u>	<u>62,108</u>
	<u>\$945,768</u>	<u>\$72,531</u>	<u>\$(75,326)</u>	<u>\$942,973</u>

NOTE D – SANITARY SEWER FUND OBLIGATIONS

On September 10, 1996, the Village of Morrice refinanced existing bonds payable and generated additional funding for the operation of its Sanitary Sewer System. These bonds mature on November 1, of each year and are payable with interest from 3.80% to 5.75% per annum.

The maturities of the bonds are as follows:

<u>Year Ended</u> <u>November 1</u>	<u>Principal</u> <u>Amount Due</u>
2007	\$ 30,000
2008	30,000
2009	30,000
2010	35,000
2011	35,000
Thereafter	<u>455,000</u>
	<u>\$615,000</u>

VILLAGE OF MORRICE  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 YEAR ENDED FEBRUARY 28, 2007

NOTE E – CASH AND CERTIFICATES OF DEPOSIT

The Village's deposits at February 28, 2007, consisted of cash and certificates of deposit at two financial institutions:

<u>Institution A</u>	<u>Amount</u>	<u>FDIC Insured</u>	<u>Uninsured</u>
Demand Deposits	\$249,440	\$100,000	\$149,440
<u>Institution B</u>			
Time Deposits	<u>87,179</u>	<u>87,179</u>	
TOTALS	<u>\$336,619</u>	<u>\$187,179</u>	<u>\$149,440</u>

NOTE F – INTERFUND RECEIVABLES AND PAYABLES

At February 28, 2007, individual interfund receivables and payables were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Senior Center	\$	\$ 4,048
Sewer	30,638	
Municipal Streets		2,873
General Fund	7,080	30,638
Major Streets		
Transfer Station		
Local Streets		159
Motor Vehicle		
	<u>\$37,718</u>	<u>\$37,718</u>

NOTE G – DEFERRED COMPENSATION PLAN

On October 17, 2000, the Village established a deferred compensation package under IRS Code Section 457. The plan permits voluntary contributions to the plan. The Village matches contributions to a maximum of 6% of compensation. The Village contribution was \$4,787 during the year ended February 28, 2007.

VILLAGE OF MORRICE  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FEBRUARY 28, 2007

**NOTE H – EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

P.A. 621 of 1978, Section 18 (1), 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 an activity basis. The approved budgets of the township for these budgetary funds were adopted to the activity level.

During the year ended February 28, 2007, the Village incurred expenditures in certain budgetary line items which were in excess of the amounts appropriated as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General – Clerk	\$ 12,000	\$ 16,080	\$ (4,080)
General – Treasurer	3,000	5,738	(2,738)
General – Administrative	130,050	131,439	(1,389)
General – Zoning	2,100	6,409	(4,309)
General – Transfers Out	16,000	32,933	(16,933)
Major Streets – Transfers Out	10,000	14,000	(4,000)
Local Streets – Transfers Out		460	(460)
Municipal Streets – Transfers Out		40,000	(40,000)
Sewer Fund	168,400	172,328	(3,928)
Senior Center	52,100	54,422	(2,322)

**NOTE I – PRIOR PERIOD ADJUSTMENT**

There were 2 prior period adjustments made to correct entries. In the Major Street Fund, a check to the Local Street Fund needed to be voided. The amount of the check was \$9,500. In the Local Street Fund, a check to the Motor Vehicle Pool Fund needed to be voided. The check was for \$20,520. The net effect to the Local Street Fund was \$11,020.

**NOTE J – FUND BALANCE DEFICIT**

The Senior Center Fund shows a deficit of \$2,337. All expenses of the Senior Center paid by the General Fund are accrued at year end.

FINANCIAL STATEMENTS  
OF  
INDIVIDUAL FUNDS

## GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

VILLAGE OF MORRICE  
GENERAL FUND  
COMPARATIVE BALANCE SHEET  
FEBRUARY 28, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Cash in Bank	\$ 60,359	\$ 835
Accounts Receivable	5,618	
Due from Other Funds	7,080	36,679
Delinquent Property Taxes Receivable	443	225
Cable TV Royalty Receivable	2,000	2,119
State Revenue Sharing Receivable	<u>          </u>	<u>15,365</u>
	<u>\$75,500</u>	<u>\$55,223</u>

LIABILITIES AND FUND BALANCE

Accounts Payable	\$10,378	\$29,290
Due to Other Funds	<u>30,638</u>	<u>25,376</u>
	\$41,016	\$54,666
Fund Balance	<u>34,484</u>	<u>557</u>
	<u>\$75,500</u>	<u>\$55,223</u>

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

VILLAGE OF MORRICE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
YEARS ENDED FEBRUARY 28, 2007 AND 2006

	<u>2007</u>	Actual (Over) Under	<u>2006</u>
	Amended <u>Budget</u>	<u>Actual</u>	<u>Budget</u> Actual
<b>REVENUES:</b>			
Current Property Taxes	\$183,000	\$165,687	\$ 17,313
Tax Admin. Fee			\$150,973
State Shared Revenues	91,000	89,404	2,134
Cable Franchise Fees	2,500	2,000	106,626
License & Permits		4,859	1,596
Police Training, Liquor Con.	1,250	1,077	500
Fines	1,000	3,375	(4,859)
Interest Income	500	1,828	173
Misc. of Assets			(2,375)
Sale of Assets			1,104
Misc. Other Income	9,095	26,745	(1,328)
Homecoming Celebration Donations		<u>12,826</u>	<u>(12,826)</u>
<b>TOTAL REVENUES</b>	<u>\$288,345</u>	<u>\$307,801</u>	<u>\$(19,456)</u> \$272,790
<b>EXPENDITURES:</b>			
Village Council:			
Salaries	\$	\$ 9,200	\$ 8,975
Professional Services		1,129	882
Other		<u>380</u>	<u>838</u>
<b>TOTAL VILLAGE COUNCIL</b>	<u>\$ 12,000</u>	<u>\$ 10,709</u>	<u>\$ 1,291</u> \$ 10,695
Elections:			
Salaries	\$	\$ 160	\$ 1,705
Supplies/Other			
<b>TOTAL ELECTIONS</b>	<u>\$ 2,000</u>	<u>\$ 160</u>	<u>\$ 1,840</u> \$ 1,705
Clerk:			
Salaries	\$	\$ 12,560	\$ 13,323
Supplies/Other		<u>3,520</u>	<u>4,389</u>
<b>TOTAL CLERK</b>	<u>\$ 12,000</u>	<u>\$ 16,080</u>	<u>\$ (4,080)</u> \$ 17,712
Treasurer:			
Salaries	\$	\$ 4,331	\$ 2,100
Supplies		<u>1,407</u>	
<b>TOTAL TREASURER</b>	<u>\$ 3,000</u>	<u>\$ 5,738</u>	<u>\$ (2,738)</u> \$ 2,100

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

VILLAGE OF MORRICE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
YEARS ENDED FEBRUARY 28, 2007 AND 2006

	<u>2007</u>		<u>2006</u>	
	Amended <u>Budget</u>	Actual	Actual (Over) Under <u>Budget</u>	Actual
<b>EXPENDITURES:</b>				
<b>Halls:</b>				
Lease	\$	\$ 2,061	\$	\$ 3,094
Capital Outlay				736
Supplies		515		2,063
Utilities & Telephone		5,697		4,284
Repairs & Maintenance		1,104		4,120
Salaries		<u>4,943</u>		<u>4,122</u>
<b>TOTAL HALLS</b>	<b>\$ 20,150</b>	<b>\$ 14,320</b>	<b>\$ 5,830</b>	<b>\$ 18,419</b>
<b>Police:</b>				
Salary	\$	\$ 73,397	\$	\$ 65,395
Training		749		560
Operating Supplies		1,899		2,352
Telephone		1,307		1,668
Transportation		5,731		7,329
Technology		1,286		1,778
Equipment		<u>1,788</u>		<u>3,106</u>
<b>TOTAL POLICE</b>	<b>\$ 99,695</b>	<b>\$ 86,157</b>	<b>\$ 13,538</b>	<b>\$ 82,188</b>
<b>Dept. of Public Works:</b>				
Salaries	\$	\$ 4,839	\$	\$ 2,657
Contract Labor				
Supplies		3,226		3,697
Capital Outlay				
<b>TOTAL DEPT. OF PUBLIC WORKS</b>	<b>\$ 8,700</b>	<b>\$ 8,065</b>	<b>\$ 635</b>	<b>\$ 6,354</b>
<b>Library:</b>				
Utilities & Telephone	\$	\$ 2,324	\$	\$ 2,304
<b>TOTAL LIBRARY</b>	<b>\$ 2,650</b>	<b>\$ 2,324</b>	<b>\$ 326</b>	<b>\$ 2,304</b>
<b>Zoning:</b>				
Salaries	\$	\$	\$	\$ 4,339
Professional Fees		6,409		100
Printing & Supplies				33
<b>TOTAL ZONING</b>	<b>\$ 2,100</b>	<b>\$ 6,409</b>	<b>\$ (4,309)</b>	<b>\$ 4,472</b>

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

VILLAGE OF MORRICE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (CONTINUED)  
YEARS ENDED FEBRUARY 28, 2007 AND 2006

	<u>2007</u>	<u>2006</u>		
	Amended <u>Budget</u>	Actual <u>Budget</u>	Actual <u>Budget</u>	Actual
<b>EXPENDITURES:</b>				
General Administrative:				
Drains	\$ 5,000	\$ 2,995	\$ 2,005	\$ 8,444
Worker's Comp. Ins.	5,300	5,556	(256)	5,117
Insurance	17,000	15,046	1,954	14,420
Payroll Taxes	21,100	23,247	(2,147)	21,299
Pension	5,000	4,787	213	4,744
Payroll – Fringes	18,250	26,234	(7,984)	
Legal, Acctg., Engineering	35,000	33,293	1,707	28,733
Street Lights	10,500	10,683	(183)	9,643
Morrice Homecoming		8,144	(8,144)	
Miscellaneous	<u>12,900</u>	<u>1,454</u>	<u>11,446</u>	<u>910</u>
TOTAL GENERAL ADM.	<u>\$130,050</u>	<u>\$131,439</u>	<u>\$ (1,389)</u>	<u>\$ 93,310</u>
TOTAL EXPENDITURES	<u>\$292,345</u>	<u>\$281,401</u>	<u>\$ 10,944</u>	<u>\$239,259</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	\$ <u>(4,000)</u>	\$ <u>26,400</u>	\$ <u>(30,400)</u>	\$ <u>33,531</u>
OTHER FINANCING SOURCES:				
Transfers In	\$	\$ 40,460	\$ (40,460)	\$ 8,014
Transfers Out	<u>(16,000)</u>	<u>(32,933)</u>	<u>(16,933)</u>	<u>(49,104)</u>
	\$ <u>(16,000)</u>	\$ <u>7,527</u>	\$ <u>(23,527)</u>	\$ <u>(41,090)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES				
	\$ <u>(20,000)</u>	\$ 33,927	\$ <u>(53,927)</u>	\$ (7,559)
Fund Balance March 1, 2006		<u>557</u>		<u>8,116</u>
FUND BALANCE FEBRUARY 28, 2007		<u>\$34,484</u>		<u>\$ 557</u>

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

## SPECIAL REVENUE FUNDS

### MAJOR STREET FUND

Major Street Fund is used to receive all Major Street monies paid to the Village by the state, to account for monies received from special tax levies for street improvement purposes, to account for construction, maintenance and other authorized operation to all streets classified as Major Street.

### LOCAL STREET FUND

Local Street Fund is used to receive all Local Street monies paid to the Village by the state, to account for monies received from special tax levies for street improvement purposes, to account for monies received from General Fund contributions and to account for construction, maintenance and other authorized operations to all streets classified as Local Street.

### MUNICIPAL STREET TAX FUND

Municipal Street Tax Fund is used to account for taxes segregated for street orientated operations.

### TRANSFER STATION

This fund is used to account for monies to operate the refuse collection station.

### SENIOR CENTER

This fund is to account for the operations of the Morrice Senior Center.

VILLAGE OF MORRICE  
 COMPARATIVE COMBINING BALANCE SHEET  
 ALL SPECIAL REVENUE FUNDS  
 FEBRUARY 28, 2007 AND 2006

	<u>2007</u>					<u>2006</u>	
	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Municipal Street Fund</u>	<u>Transfer Station Fund</u>	<u>Senior Center Fund</u>	<u>Combined</u>	<u>Combined</u>
<b>ASSETS:</b>							
Cash in Bank	\$47,259	\$24,831	\$26,860	\$20,086	\$ 5,845	\$124,881	\$ 90,147
Due from Other Funds							7,996
Other Rec.	<u>117</u>	<u>219</u>				<u>336</u>	<u>12,982</u>
	<u>\$47,376</u>	<u>\$25,050</u>	<u>\$26,860</u>	<u>\$20,086</u>	<u>\$ 5,845</u>	<u>\$125,217</u>	<u>\$111,125</u>
Accounts Payable	\$ 3,025	\$ 2,432	\$	\$ 4,388	\$ 4,134	\$ 13,979	\$ 15,631
Due to Other Funds		159	2,873		4,048	7,080	14,679
Fund Balance	<u>44,351</u>	<u>22,459</u>	<u>23,987</u>	<u>15,698</u>	<u>(2,337)</u>	<u>104,158</u>	<u>80,815</u>
	<u>\$47,376</u>	<u>\$25,050</u>	<u>\$26,860</u>	<u>\$20,086</u>	<u>\$ 5,845</u>	<u>\$125,217</u>	<u>\$111,125</u>

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

VILLAGE OF MORRICE  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE  
 ALL SPECIAL REVENUE FUNDS  
 YEARS ENDED FEBRUARY 28, 2007 AND 2006

	<u>2007</u>					<u>2006</u>	
	Major Street Fund	Local Street Fund	Municipal Street Fund	Transfer Station Fund	Senior Center Fund	<u>Combined</u>	<u>Combined</u>
<b>REVENUES:</b>							
Property Taxes	\$	\$	\$14,560	\$	\$	\$ 14,560	\$ 14,699
State Revenue							
Sharing	62,514	17,999				80,513	74,029
Charges for Serv.				101,374	14,635	116,009	116,663
Interest Income	2,025	762	831	787	100	4,505	1,292
Assmts. & Misc.	<u>1,517</u>	<u>      </u>	<u>      </u>	<u>630</u>	<u>4,302</u>	<u>6,449</u>	<u>4,968</u>
<b>TOTAL REV.</b>	<b>\$ 66,056</b>	<b>\$ 18,761</b>	<b>\$15,391</b>	<b>\$102,791</b>	<b>\$19,037</b>	<b>\$222,036</b>	<b>\$211,651</b>
<b>EXPENDITURES:</b>							
Salaries	\$ 12,186	\$ 10,185	\$	\$ 35,480	\$27,718	\$ 85,569	\$ 77,266
Misc.	4,284	2,676		4,569	508	12,037	9,307
Operating Supp.	3,257			309	3,919	7,485	19,024
Paving & Sidewalks							
Equip. Rental	18,907	16,153		1,419		36,479	32,405
Hauling				43,873		43,873	49,776
Util. & Tele.	201			1,556	17,843	19,600	14,899
Repairs	549			122	4,434	5,105	3,736
Bank Fees				<u>107</u>		<u>107</u>	
<b>TOTAL EXP.</b>	<b>\$ 39,384</b>	<b>\$ 29,014</b>	<b>\$</b>	<b>\$ 87,435</b>	<b>\$ 54,422</b>	<b>\$210,255</b>	<b>\$206,413</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPEND.</b>							
	<b>\$ 26,672</b>	<b>\$(10,253)</b>	<b>\$15,391</b>	<b>\$ 15,356</b>	<b>\$(35,385)</b>	<b>\$ 11,781</b>	<b>\$ 5,238</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers In	\$	\$ 14,000	\$	\$	\$ 31,500	\$ 45,500	\$ 53,104
Transfers Out	<u>(14,000)</u>	<u>(460)</u>	<u>(40,000)</u>	<u>      </u>	<u>      </u>	<u>(54,460)</u>	<u>(32,014)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (14,000)</b>	<b>\$ 13,540</b>	<b>\$ (40,000)</b>	<b>\$</b>	<b>\$ 31,500</b>	<b>\$ (8,960)</b>	<b>\$ 21,090</b>

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

VILLAGE OF MORRICE  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 ALL SPECIAL REVENUE FUNDS  
 YEARS ENDED FEBRUARY 28, 2007 AND 2006

	<u>2007</u>					<u>2006</u>	
	Major Street <u>Fund</u>	Local Street <u>Fund</u>	Municipal Street <u>Fund</u>	Transfer Station <u>Fund</u>	Senior Center <u>Fund</u>	<u>Combined</u>	<u>Combined</u>
EXCESS OF REV. & OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	\$ 12,672	\$ 3,287	\$(24,609)	\$15,356	\$(3,885)	\$ 2,821	\$ 26,328
Fund Balance March 1, 2006	22,179	8,152	48,596	342	1,548	80,817	54,487
Prior Period Adj.	<u>9,500</u>	<u>11,020</u>	_____	_____	_____	<u>20,520</u>	_____
FUND BALANCE FEB. 28, 2007	<u>\$44,351</u>	<u>\$22,459</u>	<u>\$23,987</u>	<u>\$15,698</u>	<u>\$(2,337)</u>	<u>\$104,158</u>	<u>\$ 80,815</u>

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

VILLAGE OF MORRICE  
 MAJOR STREET FUND  
 COMPARATIVE BALANCE SHEET  
 FEBRUARY 28, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Cash in Bank	\$47,259	\$23,176
Other Receivable	117	117
Due from Other Funds	<u>          </u>	<u>1,000</u>
	<u>\$47,376</u>	<u>\$24,293</u>

LIABILITIES AND FUND BALANCE

Due to Other Funds	\$	\$
Accounts Payable	3,025	2,114
Fund Balance	<u>44,351</u>	<u>22,179</u>
	<u>\$47,376</u>	<u>\$24,293</u>

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

VILLAGE OF MORRICE  
 MAJOR STREET FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 YEARS ENDED FEBRUARY 28, 2007 AND 2006

	<u>2007</u>	<u>2006</u>		
	Amended <u>Budget</u>	Actual <u>Budget</u>	Actual <u>Budget</u>	Actual
<b>REVENUES:</b>				
State Shared Revenues	\$ 57,000	\$ 62,514	\$ (5,514)	\$ 58,063
Interest Income	200	2,025	(1,825)	522
Assessments & Sales	1,000	1,517	(517)	2,468
Road Comm. Grant				
<b>TOTAL REVENUES</b>	<u>\$ 58,200</u>	<u>\$ 66,056</u>	<u>\$ (7,856)</u>	<u>\$ 61,053</u>
<b>EXPENDITURES:</b>				
Salaries	\$	\$ 12,186	\$	\$ 15,886
Miscellaneous		5,034		4,213
Operating Supplies		3,257		5,983
Paving & Sidewalks				
Equipment Rentals		<u>18,907</u>		<u>11,885</u>
<b>TOTAL EXPEND.</b>	<u>\$ 78,200</u>	<u>\$ 39,384</u>	<u>\$ 38,816</u>	<u>\$ 37,967</u>
<b>EXCESS OF REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	\$ (20,000)	\$ 26,672	\$ (46,672)	\$ 23,086
<b>OTHER FINANCING USES:</b>				
Transfers Out	<u>(10,000)</u>	<u>(14,000)</u>	<u>(4,000)</u>	<u>(30,725)</u>
<b>EXCESS OF REVENUES &amp; SOURCES OVER (UNDER) EXPENDITURES &amp; OTHER USES</b>				
	\$ <u>(30,000)</u>	\$ 12,672	\$ <u>(42,672)</u>	\$ (7,639)
Fund Balance March 1, 2006		22,179		29,818
Prior Period Adjustment		<u>9,500</u>		<u>          </u>
<b>FUND BALANCE FEBRUARY 28, 2007</b>		<u>\$ 44,351</u>		<u>\$ 22,179</u>

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

VILLAGE OF MORRICE  
 LOCAL STREET FUND  
 COMPARATIVE BALANCE SHEET  
 FEBRUARY 28, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Cash in Bank	\$24,831	\$10,643
Other Receivables	<u>219</u>	<u>219</u>
	<u>\$25,050</u>	<u>\$10,862</u>

LIABILITIES AND FUND BALANCE

Accounts Payable	\$ 2,432	\$
Due to Other Funds	159	2,710
Fund Balance	<u>22,459</u>	<u>8,152</u>
	<u>\$25,050</u>	<u>\$10,862</u>

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

VILLAGE OF MORRICE  
LOCAL STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEARS ENDED FEBRUARY 28, 2007 AND 2006

	<u>2007</u>		<u>2006</u>	
	<u>Amended Budget</u>	<u>Actual</u>	Actual (Over) Under <u>Budget</u>	<u>Actual</u>
<b>REVENUES:</b>				
State Shared Revenues	\$ 16,000	\$ 17,999	\$(1,999)	\$ 15,966
Interest Earned	100	762	(662)	191
Miscellaneous				
<b>TOTAL REVENUES</b>	<u>\$ 16,100</u>	<u>\$ 18,761</u>	<u>\$(2,661)</u>	<u>\$ 16,157</u>
<b>EXPENDITURES:</b>				
Salaries	\$	\$ 10,185	\$	\$ 13,636
Miscellaneous		2,676		115
Equipment Rentals		16,153		20,520
Trees				713
Bank Fees				
<b>TOTAL EXPEND.</b>	<u>\$ 26,100</u>	<u>\$ 29,014</u>	<u>\$(2,914)</u>	<u>\$ 34,984</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	\$(10,000)	\$(10,253)	\$ (253)	\$(18,827)
<b>OTHER FINANCING USES:</b>				
Transfers In	\$ 10,000	\$ 14,000	\$(4,000)	\$ 29,000
Transfers Out		(460)	460	(1,289)
	<u>\$ 10,000</u>	<u>\$ 13,540</u>	<u>\$(3,540)</u>	<u>\$ 27,711</u>
<b>EXCESS OF REVENUES &amp; OTHER SOURCES OVER (UNDER) EXPENDITURES</b>	\$ _____	\$ 3,287	\$(3,287)	\$ 8,884
Fund Balance March 1, 2006		8,152		(732)
Prior Period Adjustment		<u>11,020</u>		_____
<b>FUND BALANCE FEBRUARY 28, 2007</b>		<u>\$ 22,459</u>		<u>\$ 8,152</u>

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

VILLAGE OF MORRICE  
MUNICIPAL STREET FUND  
COMPARATIVE BALANCE SHEET  
FEBRUARY 28, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Cash in Bank	\$26,860	\$35,034
Other Receivables		2,873
Accounts Receivable		<u>11,246</u>
	<u>\$26,860</u>	<u>\$49,153</u>

LIABILITIES AND FUND BALANCE

Due to Other Funds	\$ 2,873	\$ 557
Fund Balance	<u>23,987</u>	<u>48,596</u>
	<u>\$26,860</u>	<u>\$49,153</u>

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

VILLAGE OF MORRICE  
MUNICIPAL STREET FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEARS ENDED FEBRUARY 28, 2007 AND 2006

	<u>Amended</u> <u>Budget</u>	<u>2007</u> <u>Actual</u>	Actual (Over) Under <u>Budget</u>	<u>2006</u> <u>Actual</u>
<b>REVENUES:</b>				
Property Taxes	\$12,000	\$ 14,560	\$ (2,560)	\$14,699
Interest Earned	<u>100</u>	<u>831</u>	<u>(731)</u>	<u>225</u>
<b>TOTAL REVENUES</b>	<b>\$12,100</b>	<b>\$ 15,391</b>	<b>\$ (3,291)</b>	<b>\$14,924</b>
 <b>EXPENDITURES:</b>				
Paving	\$	\$	\$	\$
Bank Fees	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL EXPEND.</b>	<b>\$<u>12,100</u></b>	<b>\$ <u>          </u></b>	<b>\$ <u>12,100</u></b>	<b>\$ <u>          </u></b>
 <b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	\$	\$ 15,391	\$(15,391)	\$14,924
 <b>OTHER FINANCING USES:</b>				
Transfers In	\$	\$	\$	\$
Transfers Out	<u>          </u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>          </u>
	\$	\$(40,000)	\$(40,000)	\$
 <b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES</b>				
	\$ <u>          </u>	\$(24,609)	\$( <u>24,609</u> )	\$ 14,924
Fund Balance March 1, 2006		<u>48,596</u>		<u>33,672</u>
<b>FUND BALANCE FEBRUARY 28, 2007</b>		<b>\$ <u>23,987</u></b>		<b>\$ <u>48,596</u></b>

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

VILLAGE OF MORRICE  
TRANSFER STATION FUND  
COMPARATIVE BALANCE SHEET  
FEBRUARY 28, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Cash in Bank	\$20,086	\$19,825
Due from Other Funds	<u>3,334</u>	<u>3,334</u>
	<u>\$20,086</u>	<u>\$23,159</u>

LIABILITIES AND FUND BALANCE

Accounts Payable	\$ 4,388	\$11,405
Due to Other Funds	<u>11,412</u>	<u>11,412</u>
<b>TOTAL LIABILITIES</b>	<b>\$ 4,388</b>	<b>\$22,817</b>
Fund Balance	<u>15,698</u>	<u>342</u>
	<u>\$20,086</u>	<u>\$23,159</u>

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

VILLAGE OF MORRICE  
TRANSFER STATION FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEARS ENDED FEBRUARY 28, 2007 AND 2006

	<u>2007</u>	<u>2006</u>		
	Amended Budget	Actual	Actual (Over) Under Budget	Actual
<b>REVENUES:</b>				
Charges for Services	\$ 81,350	\$ 87,758	\$ (6,408)	\$ 83,837
Sale of Bags	14,000	13,616	384	18,137
Interest Income	100	787	(687)	248
Miscellaneous Income	<u>200</u>	<u>630</u>	<u>(430)</u>	<u>          </u>
<b>TOTAL REVENUES</b>	<b>\$ 95,650</b>	<b>\$102,791</b>	<b>\$ (7,141)</b>	<b>\$102,222</b>
<b>EXPENDITURES:</b>				
Salaries	\$	\$ 35,480	\$	\$ 28,640
Miscellaneous		6,095		3,077
Supplies		309		9,666
Hauling		43,873		49,776
Utilities & Telephone		1,556		1,345
Repairs		<u>122</u>		<u>20</u>
<b>TOTAL EXPEND.</b>	<b>\$ <u>95,650</u></b>	<b>\$ <u>87,435</u></b>	<b>\$ <u>8,215</u></b>	<b>\$ <u>92,524</u></b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	\$	\$ 15,356	\$(15,356)	\$ 9,698
<b>OTHER FINANCING USES:</b>				
Transfers In	\$	\$	\$	\$
Transfers Out	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>EXCESS OF REVENUES &amp; OTHER SOURCES OVER (UNDER) EXPENDITURES</b>				
	\$ <u>          </u>	\$ 15,356	\$(15,356)	\$ 9,698
Fund Balance March 1, 2006		<u>342</u>		<u>(9,356)</u>
<b>FUND BALANCE FEBRUARY 28, 2007</b>		<b>\$ <u>15,698</u></b>		<b>\$ <u>342</u></b>

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

VILLAGE OF MORRICE  
 SENIOR CENTER  
 COMPARATIVE BALANCE SHEET  
 FEBRUARY 28, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Cash	\$ 5,845	\$ 1,469
Accounts Receivable		1,400
Due from General		<u>789</u>
	<u>\$ 5,845</u>	<u>\$ 3,658</u>

LIABILITIES AND FUND BALANCE

Due to Other Funds	\$ 4,048	\$
Accounts Payable	4,134	2,112
Fund Balance	<u>(2,337)</u>	<u>1,546</u>
	<u>\$ 5,845</u>	<u>\$ 3,658</u>

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

VILLAGE OF MORRICE  
 SENIOR CENTER  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
 YEARS ENDED FEBRUARY 28, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
	Actual	Actual
Amended Budget	Actual	Actual
	Actual	Actual
	(Over) Under Budget	Actual
<b>REVENUES:</b>		
Other Income	\$ 4,302	\$ 2,500
Initial Deposit		
Rentals	14,635	14,689
Interest Income	<u>100</u>	<u>106</u>
<b>TOTAL REVENUES</b>	<b>\$ 19,037</b>	<b>\$ 17,295</b>
<b>EXPENDITURES:</b>		
Capital Outlay	\$ 508	\$ 1,304
Repairs & Maint.	4,434	3,716
Telephone & Util.	17,843	13,554
Office Expenses	3,919	3,260
Salaries	<u>27,718</u>	<u>19,104</u>
<b>TOTAL EXPEND.</b>	<b>\$ 54,422</b>	<b>\$ 40,938</b>
<b>EXCESS OF EXPEND. OVER REVENUES</b>	<b>\$(35,385)</b>	<b>\$(23,643)</b>
<b>OTHER FINANCING USES:</b>		
Transfers In	<u>31,500</u>	<u>24,104</u>
<b>EXCESS OF REVENUES &amp; OTHER SOURCES OVER EXPENDITURES</b>	<b>\$ (3,885)</b>	<b>\$ 461</b>
Fund Balance March 1, 2006	<u>1,548</u>	<u>1,085</u>
<b>FUND BALANCE FEBRUARY 28, 2007</b>	<b>\$ <u>(2,337)</u></b>	<b>\$ <u>1,546</u></b>

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

## INTERNAL SERVICE FUNDS

### MOTOR VEHICLE POOL FUND

Motor Vehicle Pool Fund is used to account for intergovernmental charges for operating expenses of vehicles of the police and Department of Public Works. Disbursements from this fund pay those various operating expenses. Accumulation of monies in this fund will be used for replacement of such vehicles.

VILLAGE OF MORRICE  
MOTOR VEHICLE POOL FUND  
COMPARATIVE BALANCE SHEET  
FEBRUARY 28, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Cash in Bank	<u>\$32,925</u>	<u>\$61,328</u>

LIABILITIES AND RETAINED EARNINGS

Due to Other Funds	\$	\$23,000
Accounts Payable	<u>552</u>	<u>1,853</u>
	\$ 552	\$24,835
 Retained Earnings	 <u>32,373</u>	 <u>36,475</u>
	<u>\$32,925</u>	<u>\$61,328</u>

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

VILLAGE OF MORRICE  
MOTOR VEHICLE POOL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
ANALYSIS OF CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEARS ENDED FEBRUARY 28, 2007 AND 2006

	<u>2007</u>	Actual (Over) Under	<u>2006</u>
Amended <u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
<b>OPERATING REVENUES:</b>			
Equipment Rentals	\$35,000	\$39,626	\$ (4,626)
Fuel Tax			\$ 32,405
Interest Income	<u>150</u>	<u>637</u>	<u>(487)</u>
<b>TOTAL REVENUES</b>	<b>\$35,150</b>	<b>\$40,263</b>	<b>\$ (5,113)</b>
<b>OPERATING EXPENSES:</b>			
Salaries	\$	\$ 4,861	\$
Bank Fees			\$ 4,539
Operating Supplies		325	170
Transportation		3,825	1,578
Repair & Maint.		5,089	5,830
Equipment		7,245	2,243
Interest on Long-Term Debt			2
Audit		500	
Insurance		2,000	
Principal on Long-Term Debt			465
<b>TOTAL EXPENSES</b>	<b><u>\$35,150</u></b>	<b><u>\$23,845</u></b>	<b><u>\$ 11,305</u></b>
<b>NET INCOME (LOSS)</b>	<b>\$</b>	<b>\$16,418</b>	<b>\$(16,418)</b>
			<b>\$ 17,746</b>
<b>OTHER FINANCING SOURCES:</b>			
Transfers Out	<u>          </u>	<u>          </u>	<u>(5,000)</u>
<b>EXCESS OF REVENUES &amp; OTHER FINANCING SOURCES OVER EXPENSES</b>			
	<b>\$ <u>          </u></b>	<b>\$16,418</b>	<b><u>\$(16,418)</u></b>
			<b>\$ 12,746</b>
Retained Earnings March 1, 2006		36,475	23,729
Prior Period Adjustment		<u>(20,520)</u>	<u>          </u>
<b>RETAINED EARNINGS FEBRUARY 28, 2006</b>		<b><u>\$32,373</u></b>	<b><u>\$ 36,475</u></b>

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

VILLAGE OF MORRICE  
MOTOR VEHICLE POOL FUND  
STATEMENT OF CASH FLOWS  
YEARS ENDED FEBRUARY 28, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income (Loss)	\$ (4,102)	\$ 12,746
Increase (Decrease) in Payable	(1,301)	1,556
Increase (Decrease) in Due to Other Funds	<u>(23,000)</u>	<u>22,159</u>
<b>NET CASH PROVIDED BY (USED) FROM OPERATING ACTIVITIES</b>	<b>\$(28,403)</b>	<b>\$ 36,461</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>61,328</u>	<u>24,867</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 32,925</u>	<u>\$ 61,328</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for:		
Interest	\$ _____	\$ _____2

**DISCLOSURE OF ACCOUNTING POLICY:**

For purposes of the Statement of Cash Flows, the Village considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

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

## **ENTERPRISE FUND**

**Sanitary Sewer Fund – To account for the provision of sewer services to the residents of the Village. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration (utility director), operations, maintenance, financing and related debt services, and billing and collection.**

VILLAGE OF MORRICE  
SEWER FUND  
COMPARATIVE BALANCE SHEET  
FEBRUARY 28, 2007 AND 2006

ASSETS		
	<u>2007</u>	<u>2006</u>
<b>CURRENT ASSETS:</b>		
Cash	\$ 62,771	\$ 30,317
Accounts Receivable	40,461	62,992
Due from Other Funds	<u>30,638</u>	<u>21,714</u>
	\$ 133,870	\$ 115,023
<b>RESTRICTED ASSETS:</b>		
Cash – Bond Reserve	\$ 87,179	\$ 83,196
<b>LONG-TERM ASSETS:</b>		
Accounts Receivable	250	3,650
<b>PROPERTY, PLANT &amp; EQUIPMENT:</b>		
Sewer Project	\$3,417,472	\$3,417,472
Accumulated Depreciation	<u>(1,181,238)</u>	<u>(1,124,770)</u>
	\$2,236,234	\$2,292,702
<b>UNAMORTIZED DISCOUNTS:</b>		
Issuing & Financing Costs	\$ 48,203	\$ 48,203
Accumulated Amortization	<u>(23,046)</u>	<u>(20,950)</u>
	<u>\$ 25,157</u>	<u>\$ 27,253</u>
	<u>\$2,482,690</u>	<u>\$2,521,824</u>

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

VILLAGE OF MORRICE  
SEWER FUND  
COMPARATIVE BALANCE SHEET (CONTINUED)  
FEBRUARY 28, 2007 AND 2006

LIABILITIES AND FUND EQUITY

	<u>2007</u>	<u>2006</u>
<b>CURRENT LIABILITIES:</b>		
Due to Other Funds	\$	\$ 3,334
Accounts Payable	3,209	632
Accrued Interest Payable	12,515	12,982
Current Portion-Long-Term Debt	<u>25,000</u>	<u>25,000</u>
	\$ 40,724	\$ 41,948
 <b>LONG-TERM LIABILITIES:</b>		
Bonds Payable	\$ 590,000	\$ 615,000
 <b>FUND EQUITY:</b>		
Contribution in Aid of Construction	\$2,357,000	\$2,357,000
Accumulated Amortization	<u>(942,780)</u>	<u>(895,640)</u>
	\$1,414,220	\$1,461,360
 Retained Earnings	 <u>437,746</u>	 <u>403,516</u>
	<u>\$2,482,690</u>	<u>\$2,521,824</u>

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

VILLAGE OF MORRICE  
SEWER FUND  
STATEMENT OF REVENUES, EXPENSES AND RETAINED EARNINGS  
BUDGET AND ACTUAL  
YEARS ENDED FEBRUARY 28, 2007 AND 2006

	<u>2007</u>	Actual (Over) Under	<u>2006</u>	
Amended <u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	
<b>OPERATING REVENUES:</b>				
Charges for Services	\$145,000	\$149,081	\$ (4,081)	\$154,870
Sewer Hook-Ups	13,000	25	12,975	13,120
Interest Income	2,900	5,552	(2,652)	3,863
Land Rent & Misc.	<u>7,500</u>	<u>4,760</u>	<u>2,740</u>	<u>4,860</u>
	\$168,400	\$159,418	\$ 8,982	\$176,713
<b>OPERATING EXPENSES:</b>				
Salaries	\$	\$ 28,290	\$	\$ 31,283
Operating Supplies		4,393		4,823
Repairs & Maintenance		952		9,316
Equipment Rental		3,147		
Contracted Services		8,250		8,250
Utilities & Telephone		6,058		7,073
Audit & Legal		2,125		3,650
Interest Expense		38,478		39,875
Amortization-Expense		2,096		2,096
Insurance		4,500		4,500
Depreciation		56,468		56,468
Engineering		6,658		262
Miscellaneous		3,413		
Capital Outlay		<u>7,500</u>		
TOTAL EXPENSES	\$168,400	\$172,328	\$ (3,928)	\$167,596
<b>OPERATING INCOME (LOSS)</b>				
	\$	\$(12,910)	\$(12,910)	\$ 9,117
<b>OTHER FINANCING USES:</b>				
Transfers Out	\$	\$	\$	\$
Transfers In				<u>25,000</u>
TOTAL OTHER FINANCING USES	\$	\$(12,910)	\$(12,910)	\$ 34,117
<b>NON-OPERATING REVENUES:</b>				
Amortization of Contribution in Aid of Construction		<u>47,140</u>		<u>47,140</u>
NET INCOME (LOSS)		\$ 34,230		\$ 81,257
Retained Earnings March 1, 2006		<u>403,516</u>		<u>322,259</u>
RETAINED EARNINGS FEB. 28, 2007		<u>\$437,746</u>		<u>\$403,516</u>

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

VILLAGE OF MORRICE  
SEWER FUND  
STATEMENT OF CASH FLOW  
YEARS ENDED FEBRUARY 28, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income (Loss)	\$ 34,230	\$ 81,257
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	56,468	56,468
Amortization – Financing Costs	2,096	2,096
Amortization – Contribution in Aid of Construction	(47,140)	(47,140)
(Increase) Decrease in Accts. Rec.	(4,707)	(9,494)
(Increase) Decrease in Due from Other Funds	21,714	(21,713)
Increase (Decrease) in Accts. Payable	2,110	(1,017)
Increase (Decrease) in Due to Other Funds	<u>(3,334)</u>	<u>(17,319)</u>
<b>CASH PROVIDED (USED) FROM OPERATING ACTIVITIES</b>	<b>\$ 61,437</b>	<b>\$ 43,138</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Fixed assets		(424)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase (Decrease) in Bonds Payable	<u>(25,000)</u>	<u>(25,000)</u>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>\$ 36,437</b>	<b>\$ 17,714</b>
<b>CASH &amp; CASH EQUIVALENTS BEGINNING OF YEAR</b>	<b><u>113,513</u></b>	<b><u>95,799</u></b>
<b>CASH &amp; CASH EQUIVALENTS END OF YEAR</b>	<b><u>\$149,950</u></b>	<b><u>\$113,513</u></b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid During the Year for:		
Interest	<u>\$ 38,478</u>	<u>\$ 39,875</u>

**DISCLOSURE OF ACCOUNTING POLICY:**

For purposes of the Statement of Cash Flows, the Village considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

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

**GENERAL FIXED ASSET ACCOUNT GROUP**

To account for fixed assets not used in proprietary fund operations.

VILLAGE OF MORRICE  
GENERAL FIXED ASSETS ACCOUNT GROUP  
BALANCE SHEET  
FEBRUARY 28, 2007

	<u>2-28-06</u>	<u>Additions</u>	<u>Deletions</u>	<u>2-28-07</u>
Land	\$ 10,918	\$	\$	\$ 10,918
Buildings & Improve.	607,883			607,883
Equipment	246,354	65,936	(50,226)	262,064
Vehicles	<u>80,613</u>	<u>6,595</u>	<u>(25,100)</u>	<u>62,108</u>
	<u>\$945,768</u>	<u>\$72,531</u>	<u>\$(75,326)</u>	<u>\$942,973</u>

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

## DOWNTOWN DEVELOPMENT AUTHORITY

The Downtown Development Authority (DDA) Fund is used to account for the operations of the Morrice DDA. Financing for DDA operations was provided by the General Fund. Resources of this fund are used for the administration of the Authority and planning of improvements in the downtown district.

VILLAGE OF MORRICE  
DOWNTOWN DEVELOPMENT AUTHORITY  
COMPARATIVE BALANCE SHEET  
FEBRUARY 28, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Cash	\$ <u>1,847</u>	\$ <u>762</u>

LIABILITIES AND FUND BALANCE

Fund Balance	\$ <u>1,847</u>	\$ <u>762</u>
	\$ <u>1,847</u>	\$ <u>762</u>

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

VILLAGE OF MORRICE  
DOWNTOWN DEVELOPMENT AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
YEARS ENDED FEBRUARY 28, 2007 AND 2006

	<u>2007</u>	<u>2006</u>		
	Actual	Actual		
	(Over) Under			
Amended Budget	Budget	Actual		
<b>REVENUES:</b>				
Taxes	\$ 3,000	\$ 2,409	\$ 591	\$ 438
Interest Income	100	43	57	
Miscellaneous	<u>      </u>	<u>300</u>	<u>(300)</u>	<u>13</u>
<b>TOTAL REVENUES</b>	<b>\$3,100</b>	<b>\$ 2,752</b>	<b>\$ 348</b>	<b>\$ 451</b>
<b>EXPENDITURES:</b>				
Office Expense	\$	\$ 1,667	\$	\$
Master Plan Dev.	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
<b>TOTAL EXPEND</b>	<b>\$3,100</b>	<b>\$ 1,667</b>	<b>\$ 1,433</b>	<b>\$</b>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	<b>\$</b>	<b>\$ 1,085</b>	<b>\$ (1,085)</b>	<b>\$ 451</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfers In	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
<b>EXCESS REVENUES &amp; OTHER SOURCES OVER EXPENDITURES</b>	<b>\$</b>	<b>\$ 1,085</b>	<b>\$ (1,085)</b>	<b>\$ 451</b>
Fund Balance March 1, 2006		<u>762</u>		<u>311</u>
<b>FUND BALANCE FEBRUARY 28, 2007</b>		<b>\$ 1,847</b>		<b>\$ 762</b>

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



## DEMIS and WENZLICK, P.C.

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Members of the Village Council  
Village of Morrice  
Morrice, MI 48857

In compliance with the provisions of Section 11, Paragraph 2, of Act 2, Public Acts of 1968, we wish to render our report of comments and recommendations which were formulated as a result of the examination our firm performed on the financial statements of the Village of Morrice for the year ended February 28, 2007.

### BUDGET

The Michigan Public Act 621 of 1978, includes compliance requirements in budgeting. Total expenditures cannot exceed total budgeted revenues plus beginning fund balance. Expenditures should be reviewed periodically and the budget amended before incurring any expense which would exceed the budgeted amounts.

### CHART OF ACCOUNTS

Act 2, Public Acts of 1968, as amended, requires use of a standard chart of accounts, the Uniform Chart of Accounts for Counties and Local Units of Government in Michigan. Many of the new accounts do not have account numbers or do not adhere to the uniform chart of accounts. A copy of the uniform chart of accounts will be provided to the Village if requested.

### SENIOR CENTER FUND RECEIPTS

The revenue collected through the Senior Center on behalf of the Non-Profit Board should be recorded in a separate receipt book from the Senior Center Village Revenue.

One copy of the Senior Center receipts should be turned in with the bank deposit receipts. There were several instances where the Clerk could not determine whether the money was from classes, donation, etc. A set of receipts are being left in the receipt book which should be given to the clerk with the deposit receipt and the receipt must allow for immediate revenue account classification in conformation with the Uniform Chart of Accounts.

### SENIOR CENTER FUND DEFICIT

P.A. 275 of 1980 prohibits a fund deficit. The Senior Center has incurred a fund deficit this fiscal year that will result in the filing of a deficit elimination plan. We can assist in the preparation if desired. The General Fund may make an operating transfer to cover the deficit.

## TRANSFER & LOANS

The fund must differentiate between amounts permanently transferred and amounts temporally loaned. We noted several instances when it was difficult to determine if there was a transfer or a loan. We recommend carefully documenting of these amounts by naming them in the posting description "Due to/from," or "Transfer to/from." All loans and transfers should be approved in writing by the council or included in the annual budget. As an example, \$40,000 was transferred from Municipal Street Fund to the General Fund, without being budgeted or in the council minutes.

When amounts are transferred between two funds, the ledger of both funds involved should reflect the transaction. We noted that some interfund transactions were recorded on one ledger and not recorded on the other for a period of time or not at all. We recommend when making an interfund transaction to make certain it is recorded on both ledgers.

## BANK RECONCILIATIONS

Timely reconciliations of all bank accounts is vital in maintaining strong internal controls. We noted that reconciliations performed during the year showed variances with the general ledger. Bank accounts were also overdrawn during the year. We recommend all bank reconciliations be performed timely and show agreement to the ledger in order to maintain strong internal controls.

## PERSONAL PROPERTY TAX REVENUES

Delinquent personal property tax revenue should be identified separately in the general ledger. Collections of delinquent personal property taxes should be applied to the appropriate receivable account. To facilitate this, we recommend including in the description of the deposited item a reference to it being for delinquent personal property taxes, as opposed to current year or real property taxes.

## DEPOSITS

Deposits should be recorded into the ledger after the Treasurer makes the deposit. Currently the Clerk records the deposits in Quickbook's when she prepares them. Since the deposits are made by the Treasurer, several days may pass before the deposit is actually taken to the bank. This has caused reconciliation problems and account overdrafts.

When preparing deposits, be certain the deposit ticket is for the correct account. For instance, a deposit recorded in the November General Fund ledger was actually deposited in the Sewer Fund. It took until January to get the money transferred to the correct account.

## DPW SALARIES

Salaries are recorded by department to show the actual expenses incurred by each department. We noted that DPW salaries are currently co-mingled with the department or fund they are assisting. We recommend that all DPW salaries be recorded in one department. Once recorded, amounts for their services may be billed to the various departments they assist.

Salaries, overhead amounts, and bookkeeping should be recorded separately in the Special Revenue Funds. Income in the General Fund should match the expense in the other funds, such as bookkeeping revenue/expense. The revenue in the General Fund should match the expense in the Special Revenue Funds. Currently, some of the bookkeeping expense is included with overhead and /or salaries. None of the overhead, salaries, or bookkeeping revenue could be tied to the fund expense accounts.

We wish to thank the council for the excellent cooperation we received in performing the Village audit. If we can be of any further assistance to the Village on these matters or any future matters, please do not hesitate to contact us.

Sincerely yours,

*Dennis and Telanghast, PC*

Certified Public Accountants