

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 Ovid	County Clinton
Fiscal Year End December 31, 2007	Opinion Date March 28, 2008	Date Audit Report Submitted to State April 18, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

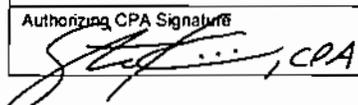
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Abraham & Gaffney P.C.		Telephone Number (517) 351-6836		
Street Address 3511 Coolidge Rd		City East Lansing	State MI	Zip 48823
Authorizing CPA Signature 		Printed Name Steve Kirinovic		License Number 1101022020

**Village of Ovid
Clinton County, Michigan**

FINANCIAL STATEMENTS

December 31, 2007

Village of Ovid
Clinton County, Michigan

December 31, 2007

VILLAGE COUNCIL AND ADMINISTRATION

Mr. William Lasher	President
Mr. Marcus Tew	President Pro-Tem, Trustee
Mr. Gerald Meredith	Trustee
Mr. Arthur Price	Trustee
Mr. Charles Moore	Trustee
Mr. Larry Ordiway	Trustee
Ms. Ofelia Padilla	Trustee
Ms. Josefina Medina	Clerk
Ms. Cindy Fruchey	Treasurer

Village of Ovid

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INDEPENDENT AUDITOR'S REPORT

To the Honorable President and
Members of the Village Council
Village of Ovid
Ovid, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Village of Ovid, Michigan as of and for the year ended December 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 Ovid's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Ovid's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 28, 2008

Village of Ovid
Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of Village of Ovid's (the Village's) financial performance and position, providing an overview of the activities for the year ended December 31, 2007. This analysis should be read in conjunction with the *Independent Auditors Report* and with the Village's financial statements, which follow this section. This discussion and analysis provides comparisons with the previous year.

FINANCIAL HIGHLIGHTS

Government-wide:

- Total net assets were \$4,626,160 (excluding component units).
- Governmental activities net assets were \$1,317,182.
- Business-type activity net assets were \$3,308,978.
- Component Unit net assets were \$98,610.

Fund Level:

- At the close of the fiscal year, the Village's governmental funds reported a combined ending fund balance of \$576,775 with \$48,820 being reserved for park improvements and \$57,554 being designated for subsequent year's expenditures.
- The General Fund realized \$104,157 more in revenues than anticipated for the fiscal year mainly due to revenues related to a Facade Project that went on in the Village and a contribution from a deceased resident's estate for the park. The General Fund operations and other financing uses expended \$39,552 more than appropriated mainly due to the facade expenditures.
- Overall, the General Fund balance increased by \$65,787 to \$512,380.

Capital and Long-term Debt Activities:

- The primary government issued no new debt issues for the year.
- The total long-term debt for the primary government was \$139,196 with a net reduction of \$46,078 from the prior year.
- The Village remains well below its authorized legal debt limit.
- The total additions to the capital asset schedule for the primary government was \$160,667 and included sewer equipment, significant additions to the water system, and other items.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Village's annual financial report. The annual financial report of the Village consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all nonmajor governmental funds and other funds and other financial data.

Village of Ovid

Management's Discussion and Analysis

Government-wide Financial Statements (Reporting the Village as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the Village as a whole, and about its activities. Their purpose is to assist in answering the question, is the Village, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all nonfiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 1) presents all of the Village's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the Village's financial position is improving or deteriorating.

The Statement of Activities (page 2) presents information showing how the Village's net assets changed during 2007. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- **Governmental Activities** - Most of the Village's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the Village's general government departments, law enforcement, economic development, Village improvements, street improvements, recreation activities, and other Village wide elected official operations are reported under these activities.
- **Business-type Activities** - These activities operate like private businesses. The Village charges fees to recover the cost of the services provided. The Water System Fund and the Sewer System Fund are examples of these activities.
- **Discretely Presented Component Unit** - Discretely Presented Component units are legally separate organizations for which the Council appoints a majority of the organization's policy board and there is a degree of financial accountability to the Village. One organization is included as a discretely presented component unit: the Downtown Development Authority.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 4 and 6 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental fund. Capital assets and depreciation expense are reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.

Village of Ovid

Management's Discussion and Analysis

- Long-term liabilities, such as amounts accrued for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Long-term debt proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the Village's general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

Fund Financial Statements (Reporting the Village's Major Funds)

The fund financial statements, which begin on page 3, provide information on the Village's significant (major) funds, and aggregated nonmajor funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the Village uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for the Village of Ovid include the General Fund and Major Street Funds, the Sewer System Fund, and the Water System Fund. All other funds are classified as nonmajor funds and are reported in aggregate by the applicable fund type. The Village includes detailed information on its nonmajor funds in the other supplementary information section of this report.

The Village's funds are divided into two categories - governmental and proprietary - and use different accounting approaches:

- **Governmental Funds** - Most of the Village's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the Village's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).
- **Proprietary Funds** - Services for which the Village charges customers (whether outside the Village structure or a Village department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. The Village has one type of proprietary fund. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Sewer System Fund.

Village of Ovid
Management's Discussion and Analysis

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 10 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue funds.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for nonmajor governmental funds. These funds are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements. Also presented in this section is additional financial information related to the discretely presented component unit (DDA).

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

As previously stated, Village of Ovid's combined net assets were \$4,626,160 at the end of this year's operations. The net assets of the governmental activities were \$1,317,182; the business-type activities were \$3,308,978.

Summary of Net Assets:

The following summarizes the net assets as of December 31, 2007.

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and other assets	\$589,218	\$527,386	\$522,944	\$831,172	\$1,112,162	\$1,358,558
Capital assets	764,603	834,552	2,961,468	2,930,716	3,726,071	3,765,268
Total assets	1,353,821	1,361,938	3,484,412	3,761,888	4,838,233	5,123,826
Liabilities						
Current	23,610	18,330	73,691	406,896	97,301	425,226
Noncurrent	13,029	12,724	101,743	155,433	114,772	168,157
Total liabilities	36,639	31,054	175,434	\$62,329	212,073	593,383
Net Assets						
Invested in capital assets-						
net of related debt	764,603	834,552	2,846,468	2,765,716	3,611,071	3,600,268
Restricted	109,284	63,192	123,460	183,540	232,744	246,732
Unrestricted	443,295	433,140	339,050	250,303	782,345	683,443
Total net assets	\$1,317,182	\$1,330,884	\$3,308,978	\$3,199,559	\$4,626,160	\$4,530,443

Village of Ovid
Management's Discussion and Analysis

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the Village's primary government net assets changed during the fiscal year:

Changes in Net Assets for the Fiscal Year Ending December 31, 2007

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenue:						
Charges for services	\$ 59,941	\$ 37,490	\$ 272,921	\$ 260,363	\$ 332,862	\$ 297,853
Operating grants and contributions	120,893	112,167	-	-	120,893	112,167
Capital grants and contributions	106,836	-	110,286	299,714	217,122	299,714
General revenues:						
Property taxes	379,084	353,660	-	-	379,084	353,660
State Revenue Sharing	147,930	151,279	-	-	147,930	151,279
Investment earnings	11,891	15,063	12,003	7,723	23,894	22,786
Miscellaneous	12,627	11,648	11,035	17,102	23,662	28,750
Total revenues	839,202	681,307	406,245	584,902	1,245,447	1,266,209
Expenses						
General government	220,114	206,129	-	-	220,114	206,129
Public safety	228,388	209,909	-	-	228,388	209,909
Public works	311,743	286,852	-	-	311,743	286,852
Community and economic development	4,059	4,012	-	-	4,059	4,012
Recreation and cultural	88,600	34,929	-	-	88,600	34,929
Sewer	-	-	132,119	129,652	132,119	129,652
Water	-	-	164,707	153,990	164,707	153,990
Total expenses	852,904	741,831	296,826	283,642	1,149,730	1,025,473
Change in net assets	(13,702)	(60,524)	109,419	301,260	95,717	240,736
Net assets, beginning of year	1,330,884	1,391,408	3,199,559	2,898,299	4,530,443	4,289,707
Net assets, end of year	\$ 1,317,182	\$ 1,330,884	\$ 3,308,978	\$ 3,199,559	\$ 4,626,160	\$ 4,530,443

Governmental Activities:

The result of 2007 governmental activity was a decrease of \$13,702 in net assets to \$1,317,182. Of the total governmental activities' net assets, \$764,603 is invested in capital assets less related debt. \$109,284 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the Village government. The balance of \$443,295 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories were property taxes at 45%, State shared revenue at 18%, and operating grants and contributions at 14%. The Village levied two property tax millages for the year ended December 31, 2007, one being for general government operations at 11.8397 mills, which is not assigned to any particular activity, and one for garbage collection at .7118 mills. The second largest was State funding through the State revenue sharing program. The third largest was operating grants received through the State of Michigan, mainly for street activities through Act 51 funding.

Village of Ovid Management's Discussion and Analysis

Expenses:

Public works is the largest activity, expending approximately 37% of the governmental activities total and includes the Public Works department as well as public street maintenance and improvement activities. Public Safety is the second largest area, expending approximately 27% of the governmental activities total on police protection.

Business-type Activities:

Net assets in business-type activities increased by \$109,419 during 2007. Of the business-type activities' net assets, \$2,846,468 is invested in capital assets less related debt, \$123,460 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the Village government. The balance of \$339,050 is listed as unrestricted, having no legal commitment.

FINANCIAL ANALYSIS OF THE VILLAGE'S MAJOR AND NONMAJOR FUNDS

As the Village completed 2007, its governmental funds reported *combined* fund balances of \$576,775. This is a net increase of \$60,169. The net changes are summarized in the following chart:

	General Fund	Major Street	Nonmajor Governmental Funds
Fund Balance 12/31/07	\$ 512,380	\$ 9,939	\$ 54,456
Fund Balance 12/31/06	\$ 446,593	\$ 15,625	\$ 54,388
Net Change	\$ 65,787	\$(5,686)	\$ 68

General Fund:

The General Fund is the chief operating fund of the Village. Unless otherwise required by statute, contractual agreement or Council policy, all Village revenues and expenditures are recorded in the General Fund. As of December 31, 2007, the General Fund reported a fund balance of \$512,380. This amount is an increase of \$65,787 from the fund balance of \$446,593 reported as of December 31, 2006. The 2007 original budget called for a \$658 increase in fund balance.

The General Fund 2007 revenues exceeded 2007 expenditures by \$65,787 mainly due to the contribution for a deceased resident's estate that was received and unspent at December 31, 2007 of over \$48,000.

General Fund Budgetary Highlights:

The Village of Ovid's budget is a dynamic document. Although adopted prior to January 1 each year, the budget is routinely amended during the course of the year to reflect changing operational demands.

Actual General Fund revenue and other financing sources totaled \$717,430, \$104,157 more than the final amended budget. The final amended and original budgets were the same and were only approximately 17% different than final actual. This was mainly due to the above noted contribution and funds collected on the building facade project (approximately \$52,000) that was done during 2007.

Village of Ovid
Management's Discussion and Analysis

The Village's expenditure budget was decreased by \$524 (less than 1% below the original budget) during 2007.

Actual Village expenditures for 2007 were \$39,398 over budget. General Fund actual expenditures came in at \$651,643 and the final budgeted amount was \$612,091, which was only a 6% difference and due to the expenditures related to the facade project that was not budgeted for.

Major Street Fund:

As of December 31, 2007, the Major Street Fund reported a fund balance of \$9,939, a decrease of \$5,686 from the prior year. There were no material changes noted between the original and final amended budgeted revenues or expenditures. Actual revenues were up compared to budget as State gas and weight tax revenues came in higher than anticipated. The fund expended \$12,145 more than was budgeted mainly due to a significant resurfacing project done on certain streets.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of year 2007, the Village had invested \$3,726,071, and \$25,675 for the component unit, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$3,344,708 for the primary government. Depreciation charges for the fiscal year totaled \$199,864 for the primary government. Additional information related to capital assets is detailed in Note G of the Financial Statements. Net book value of capital assets at December 31, 2007 was as follows:

	Governmental Activities	Business-type Activities	Component Unit DDA	Total
Land	\$ 2,249	\$ 134,322	\$ 25,675	\$ 162,246
Land improvements, net	77,940	-	-	77,940
Buildings, net	185,411	-	-	185,411
Furniture and equipment, net	126,514	98,844	-	225,358
Vehicles, net	51,833	-	-	51,833
Water and sewer systems, net	-	2,728,302	-	2,728,302
Infrastructure, net	320,656	-	-	320,656
Capital assets, net	\$ 764,603	\$2,961,468	\$ 25,675	\$ 3,751,746

Long-term Debt - As of December 31, 2007, the Village had \$139,196 in debt outstanding for the primary government. This level of net obligation is \$46,078 less than the obligation recorded as of December 31, 2006.

Village of Ovid
Management's Discussion and Analysis

Outstanding Debt as of December 31, 2007:

Primary Government	<u>Jan. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Dec. 31, 2007</u>
Governmental Activities				
Compensated absences	\$ 20,274	\$ 3,922	\$ -	\$ 24,196
Business-type Activities				
Refunding Bonds	<u>165,000</u>	<u>-</u>	<u>50,000</u>	<u>115,000</u>
Total Reporting Entity	<u>\$ 185,274</u>	<u>\$ 3,922</u>	<u>\$ 50,000</u>	<u>\$ 139,196</u>

A more detailed discussion of the Village's long-term debt obligations is presented in Note H to the financial statements.

VILLAGE OF OVID GOVERNMENT ECONOMIC OUTLOOK:

The State of Michigan continues to have difficulty in balancing their budget. Any shortfalls in projected revenues could affect our revenue sharing funds that we receive. Our budgets have already been affected and any further cuts would affect the services that we provide to the citizens of the Village of Ovid.

Other factors that the Village is aware of are:

- Property tax revenue does seem to be keeping pace with inflation.
- Investment earnings are at historically low levels due to low market interest rates, decreasing by nearly 80% over the past several years.
- Health insurance premiums continue to rise much faster than the rate of inflation.
- Retirement costs are increasing due to poor stock market performance over the last several years.
- Utility costs are rising faster than the rate of inflation.

These and many other factors were considered in adopting the Budget for 2008. The Village is budgeting for a usage of almost \$18,000 of fund balance in our original 2008 budget and any additional changes to the negative related to any of the factors above could easily change that situation to more of a usage of fund balance in the coming year. The Village continues to look for ways to increase efficiencies and reduce the cost of doing business.

CONTACTING THE VILLAGE

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Village offices at (989) 834-5550.

BASIC FINANCIAL STATEMENTS

Village of Ovid

STATEMENT OF NET ASSETS

December 31, 2007

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current				
Cash	\$ 484,392	\$ 376,520	\$ 860,912	\$ 16,480
Receivables	8,107	28,085	36,192	56,455
Internal balances	54,684	(54,684)	-0-	-
Due from other governmental units	42,035	-	42,035	-
Total current assets	589,218	349,921	939,139	72,935
Noncurrent				
Cash - restricted	-	171,249	171,249	-
Unamortized expense	-	1,774	1,774	-
Capital assets not being depreciated	2,249	134,322	136,571	25,675
Capital assets, net of accumulated depreciation	762,354	2,827,146	3,589,500	-
Total noncurrent assets	764,603	3,134,491	3,899,094	25,675
TOTAL ASSETS	1,353,821	3,484,412	4,838,233	98,610
LIABILITIES				
Current				
Accounts payable	5,450	16,363	21,813	-
Accrued liabilities	6,993	1,398	8,391	-
Accrued interest payable	-	930	930	-
Current portion of compensated absences	11,167	-	11,167	-
Current portion of long-term debt	-	55,000	55,000	-
Total current liabilities	23,610	73,691	97,301	-0-
Noncurrent				
Payable from restricted cash - customer deposits	-	41,743	41,743	-
Compensated absences	13,029	-	13,029	-
Revenue bonds payable	-	60,000	60,000	-
Total noncurrent liabilities	13,029	101,743	114,772	-0-
TOTAL LIABILITIES	36,639	175,434	212,073	-0-
NET ASSETS				
Invested in capital assets, net of related debt	764,603	2,846,468	3,611,071	25,675
Restricted for streets	60,464	-	60,464	-
Restricted for debt service	-	123,460	123,460	-
Restricted for park improvements	48,820	-	48,820	-
Unrestricted	443,295	339,050	782,345	72,935
TOTAL NET ASSETS	\$ 1,317,182	\$ 3,308,978	\$ 4,626,160	\$ 98,610

See accompanying notes to financial statements.

VILLAGE OF OVID
STATEMENT OF ACTIVITIES
Year Ended December 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit (DDA)	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total		
					Governmental Activities	Business-type Activities			
Primary government:									
Governmental activities:									
General government	\$ 220,114	\$ 10,497	\$ -	\$ -	\$ (209,617)	\$ -	\$ (209,617)	\$ -	
Public safety	228,388	9,040	689	-	(218,659)	-	(218,659)	-	
Public works	311,743	39,809	113,172	-	(158,762)	-	(158,762)	-	
Community and economic development	4,059	595	-	-	(3,464)	-	(3,464)	-	
Recreation and cultural	88,600	-	7,032	106,836	25,268	-	25,268	-	
Total governmental activities	852,904	59,941	120,893	106,836	(565,234)	-0-	(565,234)	-0-	
Business-type activities:									
Sewer	132,119	161,456	-	-	-	29,337	29,337	-	
Water	164,707	111,465	-	110,286	-	57,044	57,044	-	
Total business-type activities	296,826	272,921	-0-	110,286	-0-	86,381	86,381	-0-	
Total primary government	\$ 1,149,730	\$ 332,862	\$ 120,893	\$ 217,122	(565,234)	86,381	(478,853)	-0-	
Component unit:									
Downtown Development Authority	\$ 49,158	\$ -	\$ -	\$ -	-0-	-0-	-0-	(49,158)	
General revenues:									
Property taxes					379,084	-	379,084	-	
State shared revenue					147,930	-	147,930	-	
Investment earnings					11,891	12,003	23,894	51	
Miscellaneous					12,627	11,035	23,662	4,176	
Total general revenues					551,532	23,038	574,570	4,227	
					Change in net assets	(13,702)	109,419	95,717	(44,931)
					Net assets, beginning of the year	1,330,884	3,199,559	4,530,443	143,541
					Net assets, end of the year	\$ 1,317,182	\$ 3,308,978	\$ 4,626,160	\$ 98,610

See accompanying notes to financial statements.

Village of Ovid

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2007

	General	Major Street	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 412,262	\$ 22,021	\$ 50,109	\$ 484,392
Accounts receivable	8,107	-	-	8,107
Due from other funds	77,028	-	632	77,660
Due from other governmental units	26,188	11,598	4,249	42,035
TOTAL ASSETS	\$ 523,585	\$ 33,619	\$ 54,990	\$ 612,194
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Payables				
Accounts	\$ 5,408	\$ 21	\$ 21	\$ 5,450
Wages	5,165	1,348	480	6,993
Due to other funds	632	22,311	33	22,976
TOTAL LIABILITIES	11,205	23,680	534	35,419
FUND BALANCE				
Fund balance				
Reserved for park improvements	48,820	-	-	48,820
Unreserved				
Designated for subsequent year's expenditures	17,968	4,705	34,881	57,554
Undesignated	445,592	5,234	19,575	470,401
TOTAL FUND BALANCE	512,380	9,939	54,456	576,775
TOTAL LIABILITIES AND FUND BALANCE	\$ 523,585	\$ 33,619	\$ 54,990	\$ 612,194

See accompanying notes to financial statements.

Village of Ovid

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

December 31, 2007

Total fund balance - governmental funds **\$ 576,775**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 2,405,285	
Accumulated depreciation is	<u>(1,640,682)</u>	
Capital assets, net		764,603

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the Governmental Funds Balance Sheet.
Long-term liabilities at year-end consist of:

Compensated absences	<u>(24,196)</u>
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Net assets of governmental activities **\$ 1,317,182**

See accompanying notes to financial statements.

Village of Ovid

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2007

	General	Major Street	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 379,084	\$ -	\$ -	\$ 379,084
Licenses and permits	595	-	-	595
Intergovernmental	176,635	82,827	30,345	289,807
Charges for services	9,663	-	-	9,663
Interest and rents	59,475	1,575	525	61,575
Other	91,978	-	6,500	98,478
TOTAL REVENUES	717,430	84,402	37,370	839,202
EXPENDITURES				
General government	216,483	-	-	216,483
Public safety	208,027	-	-	208,027
Public works	146,406	69,511	48,489	264,406
Community and economic development	4,059	-	-	4,059
Recreation and cultural	76,668	-	9,390	86,058
TOTAL EXPENDITURES	651,643	69,511	57,879	779,033
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	65,787	14,891	(20,509)	60,169
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	20,577	20,577
Transfers out	-	(20,577)	-	(20,577)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	(20,577)	20,577	-0-
NET CHANGE IN FUND BALANCES	65,787	(5,686)	68	60,169
Fund balances, beginning of year	446,593	15,625	54,388	516,606
Fund balances, end of year	<u>\$ 512,380</u>	<u>\$ 9,939</u>	<u>\$ 54,456</u>	<u>\$ 576,775</u>

See accompanying notes to financial statements.

Village of Ovid

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2007

Net change in fund balances - total governmental funds \$ 60,169

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 22,948	
Depreciation expense	<u>(92,897)</u>	
Excess of depreciation expense over capital outlay		(69,949)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in accrued compensated absences		<u>(3,922)</u>
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Change in net assets of governmental activities \$ (13,702)

See accompanying notes to financial statements.

Village of Ovid

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2007

	Business-type Activities		
	Sewer System	Water System	Total
ASSETS			
Current assets			
Cash	\$ 289,113	\$ 87,407	\$ 376,520
Accounts receivable	15,267	12,818	28,085
Total current assets	304,380	100,225	404,605
Noncurrent assets			
Cash - restricted	151,924	19,325	171,249
Unamortized expense	1,774	-	1,774
Capital assets not being depreciated	76,800	57,522	134,322
Capital assets, net	896,143	1,931,003	2,827,146
Total other assets	1,126,641	2,007,850	3,134,491
TOTAL ASSETS	1,431,021	2,108,075	3,539,096
LIABILITIES			
Current liabilities			
Accounts payable	198	16,165	16,363
Accrued liabilities	744	654	1,398
Due to other funds	18,758	35,926	54,684
Accrued interest payable	930	-	930
Current portion of long-term debt	55,000	-	55,000
Total current liabilities	75,630	52,745	128,375
Noncurrent liabilities			
Payable from restricted cash - customer deposits	22,418	19,325	41,743
Revenue bonds payable	60,000	-	60,000
Total noncurrent liabilities	82,418	19,325	101,743
TOTAL LIABILITIES	158,048	72,070	230,118
NET ASSETS			
Invested in capital assets, net of related debt	857,943	1,988,525	2,846,468
Restricted for debt service	123,460	-	123,460
Unrestricted	291,570	47,480	339,050
TOTAL NET ASSETS	\$ 1,272,973	\$ 2,036,005	\$ 3,308,978

See accompanying notes to financial statements.

Village of Ovid

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2007

	Business-type Activities		
	Sewer System	Water System	Total
OPERATING REVENUES			
Charges for services			
Usage fees	\$ 159,956	\$ 109,965	\$ 269,921
Tap in fees	1,500	1,500	3,000
Other	-	11,035	11,035
TOTAL OPERATING REVENUES	161,456	122,500	283,956
OPERATING EXPENSES			
Salaries and wages	19,995	33,542	53,537
Fringe benefits	10,619	15,166	25,785
Administrative charge	4,100	4,100	8,200
Contractual services	5,892	11,853	17,745
Supplies	3,710	7,214	10,924
Utilities	7,216	12,854	20,070
Training	597	728	1,325
Insurance	6,100	7,100	13,200
Repairs and maintenance	10,028	2,532	12,560
Equipment rental	7,690	10,997	18,687
Other	885	569	1,454
Depreciation	48,915	58,052	106,967
TOTAL OPERATING EXPENSES	125,747	164,707	290,454
OPERATING INCOME (LOSS)	35,709	(42,207)	(6,498)
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental	-	110,286	110,286
Interest revenue	10,464	1,539	12,003
Interest expense	(6,372)	-	(6,372)
TOTAL NON-OPERATING REVENUES (EXPENSES)	4,092	111,825	115,917
CHANGE IN NET ASSETS	39,801	69,618	109,419
Net assets, beginning of year	1,233,172	1,966,387	3,199,559
Net assets, end of year	<u>\$ 1,272,973</u>	<u>\$ 2,036,005</u>	<u>\$ 3,308,978</u>

See accompanying notes to financial statements.

Village of Ovid

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2007

	Business-type Activities		
	Sewer System	Water System	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 161,555	\$ 118,700	\$ 280,255
Cash receipts from other funds	5,107	6,511	11,618
Cash paid to suppliers	(46,185)	(395,361)	(441,546)
Cash paid for employee benefits	(10,619)	(15,166)	(25,785)
Cash paid to employees	(20,004)	(33,471)	(53,475)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	89,854	(318,787)	(228,933)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Intergovernmental	-	410,000	410,000
Capital purchases	(3,850)	(133,869)	(137,719)
Interest expense	(6,372)	-	(6,372)
Payments of borrowing	(50,000)	-	(50,000)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(60,222)	276,131	215,909
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	10,464	1,539	12,003
NET INCREASE (DECREASE) IN CASH DURING YEAR	40,096	(41,117)	(1,021)
Cash, beginning of year	400,941	147,849	548,790
Cash, end of year	<u>\$ 441,037</u>	<u>\$ 106,732</u>	<u>\$ 547,769</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 35,709	\$ (42,207)	\$ (6,498)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	48,915	58,052	106,967
(Increase) in receivables	(591)	(4,420)	(5,011)
Decrease in unamortized expenses	886	-	886
Increase in due to other funds	5,107	6,511	11,618
(Decrease) in accounts payable	(457)	(337,414)	(337,871)
Increase (decrease) in accrued liabilities	(9)	71	62
(Decrease) in accrued interest payable	(396)	-	(396)
Increase in customer deposits	690	620	1,310
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 89,854	\$ (318,787)	\$ (228,933)

See accompanying notes to financial statements.

Village of Ovid

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Ovid is located in Clinton County, Michigan and has a population of approximately 1,500. The Village of Ovid operates with a Village President/Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, recreation and culture, and utilities services.

The Village Council is made up of the Village President and six (6) trustees who are elected at large for overlapping four (4) year terms.

The financial statements of the Village have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to Village governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Village's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity*; and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the Village of Ovid (primary government) and its component unit, an entity for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Village.

2. Discretely Presented Component Unit

The component unit column in the financial statements includes the financial data of the Village's component unit (Downtown Development Authority). The governing body of the Downtown Development Authority is appointed by the Village Council and the Authority's budget is subject to the approval of the Village Council.

3. Jointly Governed Organizations

The Village participates in the following activities which are considered to be jointly governed organizations in relation to the Village, due to there being no ongoing financial interest or responsibility:

Ovid-Middlebury Emergency Services Authority - The Village of Ovid, in conjunction with the Townships of Ovid and Middlebury, has entered into an agreement which created the Ovid-Middlebury Emergency Services Authority. The Ovid-Middlebury Emergency Services Authority board is composed of one (1) member appointed by the Village and three (3) members appointed by each of the Townships. The Village has no financial responsibility to the Authority.

Ovid Public Library - Under Public Act 24 of 1989, the Village of Ovid, in conjunction with the Townships of Ovid and Middlebury, created the Ovid Public Library, which is considered a District Library. The Ovid Public Library board is composed of two (2) members appointed by each of the three municipalities. The Townships collect and distribute property taxes that are levied by the Library. The Village has no financial responsibility to the Library.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component unit as a whole. For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - continued

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

The statement of activities presents the direct functional expenses of the primary government and its component unit and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Village's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the Village are:

- a. The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Major Street Fund is used to account for the financial resources that are used for repairs and maintenance of the Village's major streets.
- c. The Sewer Fund accounts for resources generated by providing sewer services to residents of the Village; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- d. The Water Fund accounts for resources generated by providing water services to residents of the Village; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

5. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

6. Basis of Accounting

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Accounting - continued

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

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.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets were prepared on a basis consistent with the modified accrual basis used to reflect actual results. The Village employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to January 1, the Village Budget Committee submits their proposed operating budgets for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to January 1, the budget is legally adopted with passage by Council vote.
- d. The budget is legally adopted at the activity level for the General Fund and total expenditure (i.e., fund) level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- e. After the budget is adopted all transfers of budgeted amounts between accounts within a fund or activity or any revisions that alter the total expenditures of a fund or activity must be approved by the Village Council.
- f. The Village does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at December 31 are not carried forward to the following fiscal year.

Village of Ovid

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting - Continued

g. Budgeted amounts are reported as originally adopted or as amended by the Village Council during the year. Individual amendments were appropriately approved by the Village Council in accordance with required procedures.

8. Cash

Cash consists of various money market checking accounts and is recorded at market value.

9. Restricted Cash

A portion of the cash and cash equivalents of the Sewer System and Water System Funds are classified as restricted cash because their use is limited. The Sewer System Fund's restrictions are due to bond resolution requirements to maintain certain balances in separate accounts for debt service and general purpose reserves, and also for the amount of customer deposits held at December 31, 2007. The Water System Fund's restriction is due to the amount of customer deposits held at December 31, 2007.

10. Contracts Receivable

The Downtown Development Authority (component unit) has loaned amounts to certain individuals and organizations that are payable over a long-term payment schedule. These amounts have been recorded as receivables with corresponding deferred revenue at the fund level. Recognition of governmental fund type revenues represented by noncurrent receivables is deferred until they become current receivables.

11. Property Tax

The Village of Ovid bills and collects its own property taxes. The Village's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the Village of Ovid on July 1 and are payable without penalty through September 15. All real property taxes not paid to the Village by September 15 are turned over to the Clinton County Treasurer for collection. The Clinton County Treasurer remits payments to all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the Village for subsequent collection. Village property tax revenues are recognized as revenues in the fiscal year levied.

The Village is permitted to levy taxes up to 20 mills (\$20 per \$1,000 of assessed valuation) for general governmental services and up to an additional 3 mills (\$3 per \$1,000 of assessed valuation) for garbage collection and disposal. For the year ended December 31, 2007, the Village levied 11.8397 mills for general governmental services and .7118 mills for garbage collection and disposal.

12. Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The General Fund records charges for equipment rental and administrative costs to various Village funds as revenue. All Village funds record these payments as operating expenditures/expenses.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Compensated Absences

Accumulated vacation and sick pay amounts of Village employees are vested (i.e., are payable at termination) according to Village personnel guidelines. This liability, along with the related payroll taxes, is recorded in the government-wide financial statements.

14. Capital Assets

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities column. Capital assets are those with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

GASB Statement No. 34 allowed governments the size of the Village to report retroactively major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980. The Village elected to inventory and capitalize these assets by the fourth anniversary of the mandated date of adoption of the other provisions of GASB Statement No. 34. The Village of Ovid has capitalized all applicable infrastructure that met the reporting criteria, as required by GASB Statement No. 34, and has reported the infrastructure in the Statement of Net Assets.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Sewer and Water systems and improvements	5 - 40 years
Equipment and machinery	5 - 30 years
Buildings	50 years
Vehicles	4 - 20 years
Infrastructure	20 years

15. Long-term Liabilities

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

16. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

Village of Ovid

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE B: CASH

In accordance with Michigan Compiled Laws, the Village is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers' acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of December 31, 2007, the carrying amount of the Village's deposits was \$1,048,641 and the bank balance was \$1,058,516 of which \$226,781 was covered by federal depository insurance. The remaining balance of \$831,735 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Village held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2007, the Village did not have any investments that would be subject to rating.

Village of Ovid

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE B: CASH - CONTINUED

Interest rate risk

The Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Concentration of credit risk

The Village will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying its investments by security type and institution to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Custodial credit risk

The Village will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by diversifying its investments by security type and institution to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

The cash referred to above has been reported in the cash caption on the Statement of Net Assets, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2007:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash	\$ 860,912	\$ 16,480	\$ 877,392
Cash - restricted	<u>171,249</u>	<u>-</u>	<u>171,249</u>
	<u>\$ 1,032,161</u>	<u>\$ 16,480</u>	<u>\$ 1,048,641</u>

NOTE C: CASH - RESTRICTED

The following summarizes the restricted cash as of December 31, 2007:

	<u>Customer Deposits</u>	<u>Debt Retirement</u>	<u>Total</u>
Cash			
Enterprise Funds	<u>\$ 41,743</u>	<u>\$ 129,506</u>	<u>\$ 171,249</u>

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details primary government interfund receivables and payables at December 31, 2007:

Due to General fund from:		
Major Street Fund		\$ 22,311
Sewer Fund		18,758
Water Fund		35,926
Nonmajor governmental funds		<u>33</u>
		<u>\$ 77,028</u>

Village of Ovid

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE D: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

Due to nonmajor governmental funds from:
 General Fund \$ 632

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date

NOTE E: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business type funds, and component unit have been eliminated.

Transfers to nonmajor governmental funds from:
 Major Street Fund \$ 20,577

NOTE F: COMPONENT UNIT LONG-TERM CONTRACTS RECEIVABLE

The Village has one (1) loan outstanding to an organization made through the Downtown Development Authority (component unit) Special Revenue Fund. The amounts attributable to this long-term contract receivable have been recorded in the Downtown Development Authority (component unit) Special Revenue Fund as contracts receivable and deferred revenue at the fund level. There is a portion of the receivable that is due currently that has gone unpaid but the expectation is that this amount will be paid in the near future. As a result, the receivable and deferral do not equal at the fund level. The following is a summary of future annual revenue from debtors that currently have signed promissory notes with the Village. This contract balloons in 2008 but it is expected that it will be renegotiated for a longer term next year but that term has not yet been negotiated.

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ <u>56,455</u>	\$ <u>1,677</u>	\$ <u>58,132</u>

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

PRIMARY GOVERNMENT

	<u>Balance Jan. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2007</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,249	\$ -	\$ -	\$ 2,249
Capital assets being depreciated				
Land improvements	142,597	-	-	142,597
Buildings	431,319	-	-	431,319
Furniture and equipment	305,060	22,948	(16,800)	311,208
Vehicles	195,519	-	-	195,519
Infrastructure	<u>1,322,393</u>	<u>-</u>	<u>-</u>	<u>1,322,393</u>
Subtotal	2,396,888	22,948	(16,800)	2,403,036

Village of Ovid

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE G: CAPITAL ASSETS - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

	<u>Balance</u> <u>Jan. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 31, 2007</u>
Governmental activities - continued				
Less accumulated depreciation for:				
Land improvements	\$(57,527)	\$(7,130)	\$ -	\$(64,657)
Buildings	(237,124)	(8,784)	-	(245,908)
Furniture and equipment	(172,091)	(29,403)	16,800	(184,694)
Vehicles	(127,167)	(16,519)	-	(143,686)
Infrastructure	<u>(970,676)</u>	<u>(31,061)</u>	<u>-</u>	<u>(1,001,737)</u>
Subtotal	<u>(1,564,585)</u>	<u>(92,897)</u>	<u>16,800</u>	<u>(1,640,682)</u>
Net capital assets being depreciated	<u>832,303</u>	<u>(69,949)</u>	<u>-0-</u>	<u>762,354</u>
Total net capital assets	<u>\$ 834,552</u>	<u>\$(69,949)</u>	<u>\$ -0-</u>	<u>\$ 764,603</u>

Depreciation expense was charged to activities of the following governmental activities:

General government	\$ 3,631
Public safety	18,565
Public works	68,159
Recreation and cultural	<u>2,542</u>
Total depreciation expense	<u>\$ 92,897</u>

	<u>Balance</u> <u>Jan. 1, 2007</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance</u> <u>Dec. 31, 2007</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 134,322	\$ -	\$ -	\$ 134,322
Construction in Progress	<u>413,628</u>	<u>130,019</u>	<u>(543,647)</u>	<u>-0-</u>
Subtotal	547,950	130,019	(543,647)	134,322
Capital assets being depreciated				
Buildings	115,681	-	-	115,681
Systems	3,691,629	543,647	-	4,235,276
Equipment	<u>172,515</u>	<u>7,700</u>	<u>-</u>	<u>180,215</u>
Subtotal	3,979,825	551,347	-0-	4,531,172
Less accumulated depreciation for:				
Buildings	(115,681)	-	-	(115,681)
Systems	(1,409,609)	(97,365)	-	(1,506,974)
Equipment	<u>(71,769)</u>	<u>(9,602)</u>	<u>-</u>	<u>(81,371)</u>
Subtotal	<u>(1,597,059)</u>	<u>(106,967)</u>	<u>-0-</u>	<u>(1,704,026)</u>
Total capital assets being depreciated	<u>2,382,766</u>	<u>444,380</u>	<u>-0-</u>	<u>2,827,146</u>
Total net capital assets	<u>\$ 2,930,716</u>	<u>\$ 574,399</u>	<u>\$(543,642)</u>	<u>\$ 2,961,468</u>

Village of Ovid

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE G: CAPITAL ASSETS - CONTINUED

COMPONENT UNIT

	<u>Balance Jan. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2007</u>
Downtown Development Authority				
Capital assets not being depreciated				
Land	\$ 25,675	\$ -	\$ -	\$ 25,675

NOTE H: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Village for the year ended December 31, 2007:

	<u>Balance Jan. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2007</u>	<u>Amounts Due Within One Year</u>
PRIMARY GOVERNMENT					
Governmental activities					
Compensated absences	\$ 20,274	\$ 3,922	\$ -	\$ 24,196	\$ 11,167
Business-type activities					
Sewer System Fund					
1997C Refunding Bonds	<u>165,000</u>	<u>-</u>	<u>50,000</u>	<u>115,000</u>	<u>55,000</u>
Total Primary Government	<u>\$ 185,274</u>	<u>\$ 3,922</u>	<u>\$ 50,000</u>	<u>\$ 139,196</u>	<u>\$ 66,167</u>

In 1997 the Village entered into an agreement with the Michigan Municipal Bond Authority to refund the 1989 Sewer Revenue Bonds and replace them with the 1997C Refunding Bonds. The refunding of the bonds did not change the Village's principal amounts due or the timing or duration of the payments but provided a better interest rate on the outstanding bonds. This resulted in a reduction in future interest payments by \$43,372.

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

Sanitary Sewer System Refunding Bonds

\$495,000 Sewer Refunding Bonds dated October 16, 1997, due in annual installments ranging from \$55,000 to \$60,000 through May 1, 2009, with interest of 7.20 percent, payable semi-annually.

\$ 115,000

The annual requirements to pay the debt principal and interest outstanding for the bonds are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 55,000	\$ 6,300	\$ 61,300
2009	<u>60,000</u>	<u>2,160</u>	<u>62,160</u>
	<u>\$ 115,000</u>	<u>\$ 8,460</u>	<u>\$ 123,460</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE H: LONG-TERM DEBT - CONTINUED

Compensated Absences - accrued vacation and sick leave

Individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave. The dollar amounts, including related payroll taxes, of these vested rights have been recorded in the government-wide financial statements. They amount to approximately \$24,196 at December 31, 2007.

NOTE I: DEFERRED COMPENSATION PLAN

The Village of Ovid offers its employees a deferred compensation plan sponsored by Prudential Insurance Company of America, which was created in accordance with IRS Section #457. The plan, available to all full-time employees, permits them to defer a portion of their current salary until future years. In addition, after completion of ninety (90) days of employment, the Village will match employee contributions, up to 5% of current salary. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Elected officials are not eligible to participate. For the year ended December 31, 2007, the Village contributed \$8,497 to the plan and employees contributed \$10,310.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights, are held in trust, with the Village serving as trustee, for the exclusive benefit of the plan participants and their beneficiaries. The assets shall not be diverted to any other purpose. All provisions of the plan, and the trust are in conformance with Internal Revenue Code Section 457.

The plan's funds are excluded from the financial statements in conformance with the reporting and disclosure requirements in GASB Statement Number 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.

NOTE J: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedules, the Village's budgeted expenditures in the General and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the Village have been adopted at the activity level for the General Fund and the fund level for the Special Revenue Funds.

During the year ended December 31, 2007, the Village incurred expenditures in the General and Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General Government			
Financial administration	\$ 115,497	\$ 125,927	\$ 10,430
Equipment rental	28,827	33,275	4,448
Recreational and cultural			
Community promotion	7,810	50,005	42,195
Major Street Fund	77,943	90,088	12,145
Parks and Recreation Fund	6,000	9,390	3,390

Village of Ovid

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE K: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance which the Village has set aside for specific purposes.

The following is the fund balance reserve as of December 31, 2007:

PRIMARY GOVERNMENT	
General	
Reserved for park improvements	\$ 48,820

The following are the fund balance designations as of December 31, 2007:

PRIMARY GOVERNMENT	
General	
Designated for subsequent year's expenditures	\$ 17,968
Major Street	
Designated for subsequent year's expenditures	\$ 4,705
Nonmajor governmental funds	
Designated for subsequent year's expenditures	\$ 34,881

NOTE L: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source (donor, bond ordinance, etc.) which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2007:

PRIMARY GOVERNMENT	
Governmental activities	
Restricted for	
Park improvements	\$ 48,820
Public works	
Streets and highways	<u>60,464</u>
	<u>\$ 109,284</u>
Business-type activities	
Restricted for debt service	\$ 123,460

NOTE M: RISK MANAGEMENT

The Village participates in a pool, the Michigan Township Participating Plan, with other municipalities for property, liability, wrongful acts, law enforcement, auto, crime, in-land marine, boiler, and bonding losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Village has not been informed of any special assessments being required.

Village of Ovid

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE M: RISK MANAGEMENT - CONTINUED

The Village also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Village has not been informed of any special assessments being required.

NOTE N: BUILDING AND ZONING FINANCIAL INFORMATION

The Village elected to report the financial activities of the building and zoning activity in the general fund. The following is the required information as it relates to this activity for the year ended December 31, 2007:

REVENUES	
Building Permits	\$ 595
EXPENDITURES	
Salary and fringes	1,825
Contracted services	2,000
Supplies	127
Publications and notices	<u>107</u>
TOTAL EXPENDITURES	<u>4,059</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u><u>\$ (3,464)</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

Village of Ovid

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 380,258	\$ 384,258	\$ 379,084	\$ (5,174)
Licenses and permits	-	250	595	345
Intergovernmental	159,000	159,700	176,635	16,935
Charges for services	-	9,600	9,663	63
Interest and rents	-	52,960	59,475	6,515
Other	74,015	6,505	91,978	85,473
TOTAL REVENUES	613,273	613,273	717,430	104,157
EXPENDITURES				
General government				
Legislative	21,079	21,079	20,606	473
Executive	10,750	10,750	10,265	485
Financial administration	115,497	115,497	125,927	(10,430)
Hall and grounds	29,589	29,589	26,410	3,179
Equipment rental	28,827	28,827	33,275	(4,448)
Total general government	205,742	205,742	216,483	(10,741)
Public safety				
Police department	214,961	214,961	208,027	6,934
Public works				
	148,168	148,168	146,406	1,762
Community and economic development				
Planning/zoning commission	5,950	5,950	4,059	1,891
Recreation and cultural				
Parks and recreation	29,984	29,460	26,663	2,797
Community promotion	7,810	7,810	50,005	(42,195)
Total recreation and cultural	37,794	37,270	76,668	(39,398)
TOTAL EXPENDITURES	612,615	612,091	651,643	(39,552)
NET CHANGE IN FUND BALANCE				
	658	1,182	65,787	64,605
Fund balance, beginning of year	446,593	446,593	446,593	-0-
Fund balance, end of year	\$ 447,251	\$ 447,775	\$ 512,380	\$ 64,605

Village of Ovid

Major Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental -State				
Gas and weight tax	\$ 82,230	\$ 82,230	\$ 82,827	\$ 597
Interest	-	-	1,575	1,575
TOTAL REVENUES	82,230	82,230	84,402	2,172
EXPENDITURES				
Public works	57,386	57,386	69,511	(12,125)
EXCESS OF REVENUES OVER EXPENDITURES	24,844	24,844	14,891	(9,953)
OTHER FINANCING (USES)				
Transfers out	(20,557)	(20,557)	(20,577)	(20)
NET CHANGE IN FUND BALANCE	4,287	4,287	(5,686)	(9,973)
Fund balance, beginning of year	15,625	15,625	15,625	-0-
Fund balance, end of year	<u>\$ 19,912</u>	<u>\$ 19,912</u>	<u>\$ 9,939</u>	<u>\$ (9,973)</u>

OTHER SUPPLEMENTARY INFORMATION

Village of Ovid

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

Year Ended December 31, 2007

	Special Revenue		Total Nonmajor Governmental Funds
	Local Street	Parks and Recreation	
ASSETS			
Cash	\$ 46,145	\$ 3,964	\$ 50,109
Due from other funds	632	-	632
Due from other governmental units	4,249	-	4,249
TOTAL ASSETS	\$ 51,026	\$ 3,964	\$ 54,990
LIABILITIES			
Accounts payable	\$ 21	\$ -	\$ 21
Accrued wages	480	-	480
Due to other funds	-	33	33
TOTAL LIABILITIES	501	33	534
FUND BALANCES			
Designated for subsequent year's expenditures	34,881	-	34,881
Unreserved Undesignated	15,644	3,931	19,575
TOTAL FUND BALANCE	50,525	3,931	54,456
TOTAL LIABILITIES AND FUND BALANCES	\$ 51,026	\$ 3,964	\$ 54,990

Village of Ovid

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2007

	Special Revenue		Total Nonmajor Governmental Funds
	Local Street	Parks and Recreation	
REVENUES			
Intergovernmental	\$ 30,345	\$ -	\$ 30,345
Interest	525	-	525
Other	-	6,500	6,500
TOTAL REVENUES	30,870	6,500	37,370
EXPENDITURES			
Public works	48,489	-	48,489
Recreation and cultural	-	9,390	9,390
TOTAL EXPENDITURES	48,489	9,390	57,879
EXCESS OF REVENUES (UNDER) EXPENDITURES	(17,619)	(2,890)	(20,509)
OTHER FINANCING SOURCES			
Transfers in	20,577	-	20,577
NET CHANGE IN FUND BALANCES	2,958	(2,890)	68
Fund balances, beginning of year	47,567	6,821	54,388
Fund balances, end of year	\$ 50,525	\$ 3,931	\$ 54,456

Village of Ovid

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

December 31, 2007

	<u>Special Revenue</u>
ASSETS	
Cash	\$ 16,480
Contracts receivable	<u>56,455</u>
TOTAL ASSETS	<u>\$ 72,935</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Deferred revenue	\$ 31,455
FUND BALANCE	
Unreserved	
Undesignated	<u>41,480</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 72,935</u>

Village of Ovid

Component Unit Fund

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT
OF NET ASSETS - DOWNTOWN DEVELOPMENT AUTHORITY

December 31, 2007

Fund balance - governmental fund \$ 41,480

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is 25,675

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue 31,455

Net assets of governmental activities \$ 98,610

Village of Ovid

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
- DOWNTOWN DEVELOPMENT AUTHORITY

December 31, 2007

	<u>Special Revenue</u>
REVENUES	
Interest	\$ 51
Other	<u> 6,501</u>
TOTAL REVENUES	6,552
EXPENDITURES	
Community and economic development	<u> 49,158</u>
NET CHANGE IN FUND BALANCE	(42,606)
Fund balance, beginning of year	<u> 84,086</u>
Fund balance, end of year	<u><u> \$ 41,480</u></u>

Village of Ovid

Component Unit Fund

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
- DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended December 31, 2007

Net change in fund balance **\$ (42,606)**

Amounts reported for governmental activities in the statement of activities are different because:

Loans to outside entities related to contracts receivable and subsequent collections of contracts receivable is reported as expenditures and revenues, respectively, in governmental funds, but the subsequent collections reduces contracts receivable and the loans increase contracts receivable in the statement of net assets.

In the current year, these amounts consist of:

Contracts receivable - principal collections (2,325)

Change in net assets of governmental activities **\$ (44,931)**

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
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Aaron M. Stevens, CPA
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MANAGEMENT LETTER

To the Honorable President and
Members of the Village Council
Village of Ovid
Ovid, Michigan

As you know, we have recently completed our audit of the records of the Village of Ovid, Michigan as of and for the year ended December 31, 2007. In connection with the audit, we wanted to make you aware of an upcoming change the Village will need to consider and make you aware of a certain change in your accounting and administrative procedures that would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These comments are a result of our evaluation of internal controls and our discussions with management.

1. Utility billings should be monitored and verified for accuracy.

During our testing of utility billings it was noted that one (1) of the ten (10) customers we tested during our utility billing test was charged water rates for their sewer usage, and sewer rates for their water usage. At the time that the customer was set up in the system the water and sewer entries were erroneously switched, resulting in inaccurate billing for the life of the account. While this difference was not material to the Village it is an administrative issue.

We suggest that the Village verify rates before completing customer profiles and monitor billings regularly to ensure that accurate rates are applied.

2. Transfers between Major and Local Street Funds

Public Act 9 of 2004 allows a governmental unit to transfer surplus Major Street system funds for the preservation of the Local Street system. This authorization will end December 31, 2008. Effective January 1, 2009, Major Street funds may not be transferred to Local Streets except to the extent of local revenues generated in the Major Street Fund.

We suggest the Village consider this when they plan for the budget process for 2009.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements. These conditions did not affect our report on the financial statements dated March 28, 2008.

This report is intended solely for the information of management and the President and Members of the Village Council of the Village of Ovid and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 28, 2008

East Lansing ▪ Rochester Hills ▪ St. Johns

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS**

To the Honorable President and
Members of the Village Council
of the Village of Ovid
Ovid, Michigan

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Ovid, Michigan as of and for the year ended December 31, 2007, which collectively comprise the Village's basic financial statements and have issued our report thereon dated March 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Ovid's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control over financial reporting:

PREPARATION OF FINANCIAL STATEMENTS

Effective for all audits occurring after the year ended December 31, 2006, Statement on Auditing Standards No. 112 titled *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate when a client requires assistance in the preparation of financial statements and the related footnotes that are required in accordance with accounting principles generally accepted in the United States of America. Throughout the year the Village prepares monthly financial reporting at the fund level and the annual audited financial statements for the year ended December 31, 2007 for the Village of Ovid required relatively few audit adjustments. The staff at the Village of Ovid does understand substantially all of the information included in the financial statements, and as such are able to take responsibility for the content. However, the presentation of financial statements in accordance with generally accepted accounting principles also includes the preparation of government-wide financial statements and note disclosures. Currently the government-wide financial statements and note disclosures are prepared during the audit process. We are communicating these circumstances as required by professional standards, and do not see a need for any change in the situation at this time.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Ovid's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, standards, 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 the following instances of noncompliance.

FRAUD RISK MANAGEMENT PROGRAM

During the course of our audit, we noted that the Village has not developed or implemented a fraud risk management program. Management is responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team should be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Due to the Village not developing a fraud risk assessment and monitoring program it is unable to assess the Village's vulnerabilities to fraudulent activity and whether any of those exposures could result in material misstatement of the financial statements.

We recommend that the Village develop and formally implement a fraud risk management program that is appropriate to the size and complexity of the organization. Such a fraud risk management program may involve actively searching for fraudulent transactions through the use of techniques such as data mining, but should also include informing management and employees as to the nature of fraud and actions expected to be taken if fraud is suspected. This would include publishing a definition of fraud, a statement that fraud will not be tolerated within the organization, and instructions for reporting fraud within the chain of command.

BUDGETS

As noted in the financial statements, some of the activities and funds of the Village exceeded the amounts appropriated. The variances noted were in the General and Special Revenue Funds. A similar issue was noted and reported in our audit comments last year.

The Michigan Public Act 621 of 1978, as amended, provides that the Village adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We recommend the Village monitor expenditures against adopted budgets and make appropriate budget amendments as needed in the future.

This report is intended solely for the information and use of management and Members of the Village Council of the Village of Ovid, others within the organization, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY P.C.
Certified Public Accountants

March 28, 2008