Michigan Department of Treasury, Local Audit & Finance Division
496 (3-98), Formerly L-3147

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type	Local Government Name	County
☐City ☐ Township ☒ Village ☐ Other	VILLAGE OF OWENDALE	HURON

Audit Date	Opinion Date	Date Accountant Report Submitted to Sate:
2/29/04	4/13/04	5/19/04

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

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We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).

☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	☐	☐	☒
Reports on individual federal financial assistance programs (program audits).	☐	☐	☒
Single Audit Reports (ASLGU).	☐	☐	☒

Certified Public Accountant (Firm Name)			
YEO & YEO, P.C.			
Street Address	City	State	ZIP
3023 DAVENPORT AVENUE	SAGINAW	MI	48602
Accountant Signature			

Robert Sentner

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VILLAGE OF OWENDALE

MICHIGAN

Annual Financial Statements
and
Auditors' Report

February 29, 2004

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MAY 20 2004
LOCAL AUDIT & FINANCE DIV.

VILLAGE OF OWENDALE

MICHIGAN

Annual Financial Statements

and

Auditors' Report

February 29, 2004

VILLAGE COUNCIL

WALTER HOWARD	PRESIDENT
GERALD RADABAUGH	TRUSTEE
ROBERT RICKER	TRUSTEE
MARTIN BLONDELL	TRUSTEE
RICHARD GLIDDEN	TRUSTEE
DENISE RADABAUGH	TRUSTEE
BONNIE GAETH	TRUSTEE

OTHER ELECTED OFFICIALS

RANDY HOWARD	CLERK
LOIS BLONDELL	TREASURER

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YEO & YEO

Independent Auditors' Report

Alma
Ann Arbor
Battle Creek
Flint
Kalamazoo
Lansing
Marlette
Midland
Saginaw

Members of the Village Council
Village of Owendale, Michigan

We have audited the accompanying general purpose financial statements of the Village of Owendale, Michigan, as of and for the year ended February 29, 2004, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Owendale, Michigan at February 29, 2004, and the results of its operations and cash flows of its proprietary fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated April 13, 2004, on our consideration of the Village of Owendales' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supplemental financial information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Village of Owendale. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Yeo & Yeo, P.C.

Saginaw, Michigan
April 13, 2004

Yeo & Yeo P.C.
CPAs & Business Consultants
3023 Davenport
Saginaw, MI 48602
(989) 793-9830 • Fax: (989) 793-0186

Village of Owendale
Combined Balance Sheet
All Fund Types and Account Groups
February 29, 2004
With Comparative Totals for February 28, 2003

	Governmental Fund Types		Proprietary Fund Type	Account Group	Totals (Memorandum Only)	
	General	Special Revenue	Enterprise	General Fixed Assets	February 29, 2004	February 28, 2003
Assets						
Cash	$ 28,618	$ 95,357	$ 93,557	$ -	$ 217,532	$ 245,146
Receivables						
Water billings	-	-	4,826	-	4,826	4,621
Sewer billings	-	-	3,732	-	3,732	3,804
Rubbish billings	1,832	-	-	-	1,832	1,885
Connection fees	-	-	1,489	-	1,489	2,164
State of Michigan	11,144	-	-	-	11,144	7,477
Due from other funds	70	-	2,583	-	2,653	9,875
Prepaid insurance	3,030	-	-	-	3,030	16,481
Restricted cash	-	-	16,470	-	16,470	14,381
Property, plant and equipment - net	-	-	1,483,254	219,280	1,702,534	1,719,828
Total assets	$ 44,694	$ 95,357	$ 1,605,911	$ 219,280	$ 1,965,242	$ 2,025,662
Liabilities and Fund Equity						
Liabilities						
Current liabilities						
Accounts payable	$ 4,754	$ -	$ -	$ -	$ 4,754	$ 3,997
Payroll tax liability	1,048	-	-	-	1,048	966
Current portion of long-term debt	-	-	1,000	-	1,000	2,000
Due to other funds	2,583	14	56	-	2,653	9,875
Total current liabilities	8,385	14	1,056	-	9,455	16,838
Long-term debt	-	-	138,000	-	138,000	139,000
Total liabilities	8,385	14	139,056	-	147,455	155,838
Fund equity						
Contributed capital	-	-	1,449,949	-	1,449,949	1,505,871
Investment in general fixed assets	-	-	-	219,280	219,280	175,758
Fund balance - unreserved	36,309	95,343	-	-	131,652	112,800
Retained earnings - reserved for debt	-	-	16,470	-	16,470	14,381
Retained earnings - unreserved	-	-	436	-	436	61,014
Total fund equity	36,309	95,343	1,466,855	219,280	1,817,787	1,869,824
Total liabilities and fund equity	$ 44,694	$ 95,357	$ 1,605,911	$ 219,280	$ 1,965,242	$ 2,025,662

See Accompanying Notes to Financial Statements

Village of Owendale

Combined Statement of Revenues, Expenditures and Changes in Fund Balance

All Governmental Fund Types

Year Ended February 29, 2004

With Comparative Totals for Year Ended February 28, 2003

	General	Special Revenue	Totals (Memorandum Only) February 29, 2004	Totals (Memorandum Only) February 28, 2003
Revenues				
Taxes	$ 33,744	$ 13,495	$ 47,239	$ 46,012
Intergovernmental				
State	43,638	34,258	77,896	76,329
Local	-	2,674	2,674	2,556
Equipment rental	30,894	-	30,894	24,886
Charges for services	11,484	-	11,484	12,470
Fines and penalties	1,188	-	1,188	1,203
Interest earned	31	179	210	362
Miscellaneous	1,589	-	1,589	1,283
Total revenues	122,568	50,606	173,174	165,101
Expenditures				
General government	68,837	-	68,837	59,766
Public safety	15,622	-	15,622	22,182
Water and rubbish	10,408	-	10,408	10,663
Highways and streets	-	36,660	36,660	31,465
Recreation	2,505	-	2,505	2,013
Equipment	52,578	-	52,578	550
Other functions	24,112	-	24,112	22,367
Total expenditures	174,062	36,660	210,722	149,006
Excess (deficiency) of revenues over expenditures	(51,494)	13,946	(37,548)	16,095
Other financing sources (uses)				
Gain on sale of asset	5,000	-	5,000	-
Operating transfers in	51,400	7,500	58,900	24,200
Operating transfers out	-	(7,500)	(7,500)	(16,200)
Total other financing sources (uses)	56,400	-	56,400	8,000
Excess (deficiency) of revenues and other sources over expenditures and other uses	4,906	13,946	18,852	24,095
Fund balance, beginning of year	31,403	81,397	112,800	88,705
Fund balance, end of year	$ 36,309	$ 95,343	$ 131,652	$ 112,800

See Accompanying Notes to Financial Statements

Village of Owendale

Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

General and Special Revenue Funds

Year Ended February 29, 2004

	General Fund			Special Revenue Funds		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
Revenues						
Taxes	$ 33,000	$ 33,744	$ 744	$ 12,000	$ 13,495	$ 1,495
Intergovernmental						
State	43,000	43,638	638	32,000	34,258	2,258
Local	-	-	-	2,500	2,674	174
Equipment rental	16,500	30,894	14,394	-	-	-
Charges for services	14,200	11,484	(2,716)	-	-	-
Fines and penalties	2,000	1,188	(812)	-	-	-
Interest earned	200	31	(169)	200	179	(21)
Miscellaneous	600	1,589	989	-	-	-
Total revenues	109,500	122,568	13,068	46,700	50,606	3,906
Expenditures						
General government	54,000	68,837	14,837	-	-	-
Public safety	14,900	15,622	722	-	-	-
Rubbish	10,000	10,408	408	-	-	-
Highways and streets	-	-	-	35,000	36,660	1,660
Recreation	1,200	2,505	1,305	-	-	-
Equipment	500	52,578	52,078	-	-	-
Other functions	19,400	24,112	4,712	-	-	-
Total expenditures	100,000	174,062	74,062	35,000	36,660	1,660
Excess (deficiency) of revenues over expenditures	9,500	(51,494)	(60,994)	11,700	13,946	2,246
Other financing sources (uses)						
Gain on sale of asset	-	5,000	5,000	-	-	-
Operating transfer in	-	51,400	51,400	6,000	7,500	1,500
Operating transfer out	-	-	-	(6,000)	(7,500)	(1,500)
Total other financing sources (uses)	-	56,400	56,400	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	9,500	4,906	$ (4,594)	11,700	13,946	$ 2,246
Fund balance, beginning of year	31,403	31,403		81,397	81,397	
Fund balance, end of year	$ 40,903	$ 36,309		$ 93,097	$ 95,343	

See Accompanying Notes to Financial Statements

Village of Owendale

Combined Statement of Revenues and Expenses

Proprietary Fund Type

Enterprise Funds

Year Ended February 29, 2004 and February 28, 2003

	February 29, 2004	February 28, 2003
Operating revenues		
Charges for services	$ 48,180	$ 47,440
Operating expenses		
Salaries and wages	8,499	12,229
Telephone	705	618
Utilities	2,194	2,270
Rental expense	8,516	9,680
Professional fees - water testing	1,098	1,282
Administrative fees	3,768	3,660
Depreciation	60,816	60,816
Repair and maintenance	16,068	11,291
Miscellaneous	3,047	1,062
Total operating expenses	104,711	102,908
Net operating loss	(56,531)	(55,468)
Nonoperating revenues (expenses)		
Interest earned	870	2,303
Interest expense	(7,350)	(7,429)
Transfer out	(51,400)	(8,000)
Total nonoperating revenues (expenses)	(57,880)	(13,126)
Net loss	$ (114,411)	$ (68,594)

See Accompanying Notes to Financial Statements

Village of Owendale

Combined Statement of Changes in Retained Earnings and Contributions in Aid of Construction

Proprietary Fund Type

Enterprise Funds

Year Ended February 29, 2004 and February 28, 2003

	Retained Earnings	Contributions in Aid of Construction	Totals
Balance - February 28, 2002	$ 88,067	$ 1,561,793	$ 1,649,860
Distribution of depreciation to contributed capital accounts	55,922	(55,922)	-
Net (loss) for the year	(68,594)	-	(68,594)
Balance - February 28, 2003	75,395	1,505,871	1,581,266
Distribution of depreciation to contributed capital accounts	55,922	(55,922)	-
Net (loss) for the year	(114,411)	-	(114,411)
Balance - February 29, 2004	$ 16,906	$ 1,449,949	$ 1,466,855

See Accompanying Notes to Financial Statements

Village of Owendale
Combined Statement of Cash Flows
Proprietary Fund Type
Enterprise Funds
Year Ended February 29, 2004 and February 28, 2003

	February 29, 2004	February 28, 2003
Cash flows from operating activities		
Net loss from operations	$ (56,531)	$ (55,468)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	60,816	60,816
Receivables - current	(133)	84
Receivables - restricted	675	1,492
Due to/from other funds	(657)	(7,066)
Net cash provided (used) by operating activities	4,170	(142)
Cash flows from noncapital financing activities		
Transfer out to other funds	(51,400)	(8,000)
Cash flows from capital and related financing activities		
Bond principal payments	(2,000)	(1,000)
Interest paid	(7,350)	(7,429)
Net cash used by capital and related financing activities	(9,350)	(8,429)
Cash flows from investing activities		
Interest earnings	870	2,303
Net cash provided by investing activities	870	2,303
Net increase (decrease) in cash	(55,710)	(14,268)
Cash at beginning of year	165,737	180,005
Cash at end of year	$ 110,027	$ 165,737

See Accompanying Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Owendale was incorporated in 1905 as a general law village and is located in Huron County, Michigan. The Village operates under a Village Council (7 members) and provides the following services to approximately 300 residents: Public safety, highways and streets, sanitation, recreation, public improvements, planning and zoning and general administrative services.

The accounting policies of the Village of Owendale conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

(a) REPORTING ENTITY

In accordance with accounting principles generally accepted in the United States of America and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Local Unit (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

The Village, accordingly, has not consolidated any entities into its general purpose financial statements.

(b) FUND ACCOUNTING

The accounts of the Village are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues, and expenditures, or expenses, as appropriate. The various funds are grouped as follows in the financial statements.

GOVERNMENTAL FUND TYPES

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

SPECIAL REVENUE FUNDS - Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

PROPRIETARY FUND TYPE

ENTERPRISE FUNDS - The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed primarily through user charges.

ACCOUNT GROUP

GENERAL FIXED ASSETS - The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund operations.

GENERAL LONG-TERM DEBT – The General Long-Term Debt Account Group is used to account for general obligation long-term liabilities which are not recorded in proprietary funds.

(c) BASIS OF ACCOUNTING

The accrual basis of accounting is used by the proprietary fund. All governmental funds utilize the modified accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

1. Property tax revenues are recognized when they become available. Available means then due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Property taxes receivable, which are not available to the Village until a subsequent year, are classified as deferred revenues.

   Property taxes are assessed as of December 31 and the related taxes become a lien on July 1 of the following year. These taxes are due on August 31 with the final collection date of February 28 before they are added to the County tax rolls.

2. Interest on long-term debt is not recorded as an expenditure until its due date.

3. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.

(d) BUDGETS AND BUDGETARY ACCOUNTING

1. A budget for the 2003-2004 fiscal year was adopted by the Village Council for the General and Special Revenue Funds on March 11, 2003. The budget includes proposed expenditures and a means of financing them.

2. The budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

3. Appropriations lapse at year end and therefore cancels all encumbrances. These appropriations are reestablished at the beginning of the following year.

(e) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(f) ENCUMBRANCES

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

(g) CASH

For purposes of the statement of cash flows, demand deposits and short term investments with a maturity date of 3 months or less when acquired are considered cash.

(h) RECEIVABLES

Receivables have been recognized for all significant amounts due the Village in accordance with the accounting principles

used for the particular fund. Valuation reserves have been provided to the extent the collection thereof is considered doubtful.

The delinquent real property taxes of the Village are purchased by the County of Huron. The County has sold tax notes, the proceeds of which were used to pay the Village for these property taxes. These taxes have been recorded as revenue for the current year.

(i) INVENTORY - PROPRIETARY FUNDS

Inventories, which are immaterial in amount, are not recognized as an asset in the proprietary funds.

(j) GENERAL FIXED ASSETS

All fixed assets are stated at cost or estimated historical cost if actual historical cost was not available. Donated fixed assets are valued at their estimated fair value on the date donated. No depreciation has been provided on general fixed assets.

(k) PROPERTY, PLANT AND EQUIPMENT - PROPRIETARY FUNDS

Property, plant and equipment in the proprietary funds, are stated at cost. Depreciation has been provided using the straight-line method over the estimated useful lives of the respective assets ranging from 3 to 40 years.

(l) COMPARATIVE DATA

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Village's financial position, operations and cash flows. However, comparative (i.e. presentation of prior year totals by fund type) data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

(m) TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW

Total columns on the Combined Statements - Overview are captioned Memorandum only to indicate that they are presented only to facilitate the financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(n) GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT 20

In accordance with GASB Statement 20, the Village has elected not to apply the FASB statements and interpretations issued after November 30, 1989 to its financial statements.

(o) FUTURE CHANGES IN ACCOUNTING STANDARDS

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. This new reporting standard will impact the Village's revenue and expenditure recognition; and assets, liabilities and fund equity reporting. The new standard will also require reformatting of the financial statements and restating beginning balances. The Village is required to

implement the new reporting model for the fiscal year ending February 28, 2005. Due to the significance of the changes required, it is not possible to present pro-forma data prior to implementation.

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

P.A. 621 of 1978, Section 18, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

The approved budgets of the Village were adopted at the functional level. During the year ended February 29, 2004 the Village incurred expenditures in certain budgetary functions, which were in excess of the amount appropriated as follows:

	Activity Appropriation	Expenditures	Budget Variance
General Fund			
General government	$ 54,000	$ 68,837	$ 14,837
Equipment	500	52,578	52,078
Other functions	19,400	24,112	4,712
Special Revenue Funds			
Local Street Fund	16,500	22,370	5,870

NOTE 3 - CASH AND INVESTMENTS

The Village's cash at February 29, 2004 was $234,002.

DEPOSITS - The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at $234,858. Of that amount, $161,814 was covered by federal depository insurance and $73,044 was uninsured and uncollateralized.

The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution it deposits Village funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

INVESTMENTS - The Village is authorized by Michigan Public Acts 217 and 367 of 1982 to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers acceptances and mutual funds and pooled investment funds that are composed of authorized investment vehicles. No investments were held by the Village of Owendale at February 29, 2004.

NOTE 4 - GENERAL FIXED ASSETS

A summary of general fixed assets at February 29, 2004 is as follows:

	Balance at March 1, 2003	Additions	Deletions	Balance at February 29, 2004
General Fund				
Buildings	$ 32,781	$ -	$ -	$ 32,781
Vehicles	22,282	-	-	22,282
Equipment	116,073	51,258	7,736	159,595
Office equipment	1,260	-	-	1,260
Land improvements	3,362	-	-	3,362
Total	$ 175,758	$ 51,258	$ 7,736	$ 219,280

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT - ENTERPRISE FUNDS

A summary of Enterprise Funds property, plant and equipment at February 29, 2004 is as follows:

	Sanitary Sewer Fund	Water Fund	Useful Lives
Land	$ 51,154	$ -	
Wastewater plant	1,815,267	-	40 years
Equipment	18,429	-	5 years
Furniture and equipment	1,892	-	3 years
Sewer lines	6,437	-	40 years
Water tower	-	527,310	40 years
Water meters	-	41,813	40 years
	1,893,179	569,123	
Less: accumulated depreciation	849,065	129,983	
Net book value	$ 1,044,114	$ 439,140	

Depreciation expense amounted to $60,816 for the year ended February 29, 2004.

NOTE 6 - LONG-TERM DEBT

The following is a summary of long-term debt transactions of the Village for the year ended February 29, 2004:

	March 1, 2003	Additions (Reductions)	February 29, 2004
Water Fund			
Water supply bonds			
5.25% interest, due 3/1/2034	$ 141,000	$ (2,000)	$ 139,000

The annual requirements to pay the principal and interest on the obligations outstanding at February 29, 2004 are as follows:

WATER FUND

Year Ended February 28,	Principal	Interest	Total
2005	$ 1,000	$ 7,271	$ 8,271
2006	2,000	7,193	9,193
2007	2,000	7,088	9,088
2008	2,000	7,002	9,002
2009	2,000	6,878	8,878
2010-2014	12,000	32,675	44,675
2015-2019	16,000	29,000	45,000
2020-2024	21,000	24,102	45,102
2025-2029	28,000	17,759	45,759
2030-2034	37,000	9,227	46,227
2035	16,000	423	16,423
	$ 139,000	$ 148,618	$ 287,618

Interest expense for the year ended February 29, 2004 was $7,350.

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLE

	Interfund Receivable	Interfund Payable
General	$ 70	$ 2,583
Special Revenue		
Major	-	14
Enterprise		
Sewer	-	56
Water	2,583	-
	$ 2,653	$ 2,653

NOTE 8 - RISK MANAGEMENT

The Village of Owendale has purchased insurance with Michigan Community Underwriters. This company provides for substantially all of the insurance needs of the Village, including property, general liability, automobile and comprehensive crime coverage. Payments made for the year ended February 29, 2004 were $14,442.

The Village has purchased commercial insurance for all workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - SEGMENT INFORMATION

The following represents additional segment information of the Enterprise Funds not disclosed in the general purpose financial statements as of and for the year ended February 29, 2004.

	Sanitary Sewer Fund	Water Fund
Operating revenues	$ 20,724	$ 27,456
Depreciation expense	45,543	15,273
Operating loss	(41,045)	(15,486)
Net income (loss)	(91,802)	(22,609)
Net working capital	85,843	19,288
Total assets	1,130,013	475,898
Long-term debt	-	138,000
Total fund equity	1,129,957	336,898

Village of Owendale
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

	Year Ended February 29, 2004			
	Budget	Actual	Over (Under) Budget	Year Ended February 28, 2003
Revenues				
Taxes	$ 33,000	$ 33,744	$ 744	$ 32,866
Intergovernmental				
State shared revenue	43,000	43,638	638	43,143
Equipment rental	16,500	30,894	14,394	24,886
Charges for services	14,200	11,484	(2,716)	12,470
Fines and penalties	2,000	1,188	(812)	1,203
Interest earned	200	31	(169)	69
Miscellaneous	600	1,589	989	1,283
Total revenues	109,500	122,568	13,068	115,920
Expenditures				
General government	54,000	68,837	14,837	59,766
Public safety	14,900	15,622	722	22,182
Rubbish	10,000	10,408	408	10,663
Recreation	1,200	2,505	1,305	2,013
Equipment	500	52,578	52,078	550
Other functions	19,400	24,112	4,712	22,367
Total expenditures	100,000	174,062	74,062	117,541
Excess (deficiency) of revenues over expenditures	9,500	(51,494)	(60,994)	(1,621)
Other financing sources				
Proceeds from sale of asset	-	5,000	5,000	-
Operating transfer in	-	51,400	51,400	8,000
Total other financing sources	-	56,400	56,400	8,000
Excess (deficiency) of revenues and other financing sources over expenditures	9,500	4,906	$ (4,594)	6,379
Fund balance, beginning of year	31,403	31,403		25,024
Fund balance, end of year	$ 40,903	$ 36,309		$ 31,403

Village of Owendale

General Fund

Detailed Statement of Expenditures, Compared to Budget

	Year Ended February 29, 2004			
	Budget	Actual	Over (Under) Budget	Year Ended February 28, 2003
General government				
Village council				
Salaries	$ 15,500	$ 14,128	$ (1,372)	$ 14,832
Professional fees	3,000	5,919	2,919	3,023
Supplies	300	-	(300)	259
Miscellaneous	1,500	1,959	459	1,605
Elections				
Printing and publishing	-	-	-	70
Miscellaneous	500	468	(32)	283
Village hall				
Utilities	700	464	(236)	(8)
Miscellaneous	200	146	(54)	54
Water and sewer billings	250	203	(47)	234
Village property				
Salaries and wages	14,000	13,786	(214)	13,045
Operating supplies	4,000	5,421	1,421	12,531
Gas and oil	2,300	3,146	846	2,271
Street lighting	8,000	7,541	(459)	7,507
Community building	500	2,389	1,889	20
Miscellaneous	750	2,618	1,868	527
Telephone	1,000	2,488	1,488	1,778
Utilities	1,300	2,000	700	1,555
Owen link drain	200	6,161	5,961	180
Total other general government	54,000	68,837	14,837	59,766

Village of Owendale

General Fund

Detailed Statement of Expenditures, Compared to Budget

	Year Ended February 29, 2004			
	Budget	Actual	Over (Under) Budget	Year Ended February 28, 2003
Public safety				
Salaries and wages	$ 11,000	$ 11,611	$ 611	$ 10,976
Operating supplies	800	-	(800)	701
Telephone	-	642	642	103
Gas and oil	2,000	2,142	142	2,065
Liquor law enforcement	700	767	67	700
Equipment	-	120	120	7,427
Miscellaneous	400	340	(60)	210
Total public safety	14,900	15,622	722	22,182
Rubbish				
Contracted services	10,000	10,408	408	10,663
Recreation				
Maintenance	1,200	2,505	1,305	2,013
Equipment expense	500	52,578	52,078	550
Other functions				
Insurance and bonds	14,000	16,848	2,848	15,409
Retirement	2,400	2,400	-	2,400
Social security - local unit share	3,000	4,864	1,864	4,558
Total other functions	19,400	24,112	4,712	22,367
Total expenditures	$ 100,000	$ 174,062	$ 74,062	$ 117,541

Village of Owendale
Special Revenue Funds
Combining Balance Sheet
February 29, 2004
With Comparative Totals for February 28, 2003

	Major Street	Local Street	Municipal Street	Totals February 29, 2004	Totals February 28, 2003
Assets					
Cash	$ 61,720	$ 94	$ 33,543	$ 95,357	$ 79,402
Due from other funds	-	-	-	-	2,221
Total assets	$ 61,720	$ 94	$ 33,543	$ 95,357	$ 81,623
Liabilities and Fund Balance					
Liabilities					
Due to other funds	$ 14	$ -	$ -	$ 14	$ 226
Fund balance					
Unreserved	61,706	94	33,543	95,343	81,397
Total liabilities and fund balance	$ 61,720	$ 94	$ 33,543	$ 95,357	$ 81,623

Village of Owendale

Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Year Ended February 29, 2004

With Comparative Totals for Year Ended February 28, 2003

	Major Street	Local Street	Municipal Street	Totals Year Ended February 29, 2004	Totals Year Ended February 28, 2003
Revenues					
Taxes	$ -	$ -	$ 13,495	$ 13,495	$ 13,146
Intergovernmental					
State	22,525	11,733	-	34,258	33,186
Local	-	-	2,674	2,674	2,556
Interest earned	-	-	179	179	293
Total revenues	22,525	11,733	16,348	50,606	49,181
Expenditures					
Highways and streets	14,290	22,370	-	36,660	31,465
Excess (deficiency) of revenues over expenditures	8,235	(10,637)	16,348	13,946	17,716
Other financing sources (uses)					
Operating transfers in	-	7,500	-	7,500	16,200
Operating transfers out	-	-	(7,500)	(7,500)	(16,200)
Total other financing sources (uses)	-	7,500	(7,500)	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	8,235	(3,137)	8,848	13,946	17,716
Fund balance, beginning of year	53,471	3,231	24,695	81,397	63,681
Fund balance, end of year	$ 61,706	$ 94	$ 33,543	$ 95,343	$ 81,397

Village of Owendale
Major Street Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

	Year Ended February 29, 2004			
	Budget	Actual	Over (Under) Budget	Year Ended February 28, 2003
Revenues				
Intergovernmental revenues				
State shared revenues - gas and weight tax	$ 21,000	$ 22,525	$ 1,525	$ 21,604
Expenditures				
Routine maintenance				
Salaries	1,400	2,105	705	955
Maintenance and supplies	10,600	420	(10,180)	626
Equipment rental	2,000	4,082	2,082	1,912
Snow removal				
Salaries and wages	1,000	1,587	587	506
Supplies	100	-	(100)	-
Equipment rental	2,000	4,691	2,691	1,428
Administrative	900	831	(69)	900
Traffic service				
Salaries and wages	100	93	(7)	-
Maintenance and supplies	200	274	74	-
Equipment rental	100	117	17	-
Miscellaneous	100	90	(10)	76
Total expenditures	18,500	14,290	(4,210)	6,403
Excess of revenues over expenditures	2,500	8,235	$ 5,735	15,201
Fund balance, beginning of year	53,471	53,471		38,270
Fund balance, end of year	$ 55,971	$ 61,706		$ 53,471

Village of Owendale
Local Street Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

	Year Ended February 29, 2004			
	Budget	Actual	Over (Under) Budget	Year Ended February 28, 2003
Revenues				
Intergovernmental revenues				
State shared revenues - gas and weight tax	$ 11,000	$ 11,733	$ 733	$ 11,582
Expenditures				
Routine maintenance				
Salaries and wages	3,500	3,946	446	4,066
Maintenance and supplies	3,000	2,082	(918)	7,498
Equipment rental	5,000	7,972	2,972	9,888
Snow removal				
Salaries and wages	1,500	1,937	437	713
Supplies	200	-	(200)	-
Equipment rental	2,000	5,358	3,358	1,978
Administrative	900	830	(70)	900
Traffic services				
Salaries and wages	100	87	(13)	19
Supplies	200	-	(200)	-
Equipment rental	100	158	58	-
Total expenditures	16,500	22,370	5,870	25,062
Excess (deficiency) of revenues over expenditures	(5,500)	(10,637)	(5,137)	(13,480)
Other financing sources				
Operating transfers in	6,000	7,500	1,500	16,200
Excess of revenues and other sources over expenditures	500	(3,137)	$ (3,637)	2,720
Fund balance, beginning of year	3,231	3,231		511
Fund balance, end of year	$ 3,731	$ 94		$ 3,231

Village of Owendale
Municipal Street Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

	Year Ended February 29, 2004			
	Budget	Actual	Over (Under) Budget	Year Ended February 28, 2003
Revenues				
Current property taxes	$ 12,000	$ 13,495	$ 1,495	$ 13,146
Intergovernmental				
Huron Co. road millage	2,500	2,674	174	2,556
Interest earned	200	179	(21)	293
Total revenues	14,700	16,348	1,648	15,995
Excess of revenues over expenditures	14,700	16,348	1,648	15,995
Other financing uses				
Operating transfers out	(6,000)	(7,500)	(1,500)	(16,200)
Total other financing uses	(6,000)	(7,500)	(1,500)	(16,200)
Excess (deficiency) of revenues over expenditures and other uses	8,700	8,848	$ 148	(205)
Fund balance, beginning of year	24,695	24,695		24,900
Fund balance, end of year	$ 33,395	$ 33,543		$ 24,695

Village of Owendale
Enterprise Funds
Combining Balance Sheet
February 29, 2004
With Comparative Totals for February 28, 2003

	Sanitary Sewer Fund	Water Fund	February 29, 2004	February 28, 2003
Assets				
Cash	$ 80,678	$ 12,879	$ 93,557	$ 151,356
Receivables				
Water billings	-	4,826	4,826	4,621
Sewer billings	3,732	-	3,732	3,804
Connection fees	1,489	-	1,489	2,164
Due from other funds	-	2,583	2,583	4,649
Total current assets	85,899	20,288	106,187	166,594
Restricted assets				
Cash	-	16,470	16,470	14,381
Property, plant and equipment - net	1,044,114	439,140	1,483,254	1,544,070
Total assets	$ 1,130,013	$ 475,898	$ 1,605,911	$ 1,725,045

Village of Owendale
Enterprise Funds
Combining Balance Sheet
February 29, 2004
With Comparative Totals for February 28, 2003

	Sanitary Sewer Fund	Water Fund	February 29, 2004	February 28, 2003
Liabilities and Fund Equity				
Liabilities				
Current liabilities				
Current portion of long-term debt	$ -	$ 1,000	$ 1,000	$ 2,000
Due to other funds	56	-	56	2,779
Total current liabilities	56	1,000	1,056	4,779
Long-term debt	-	138,000	138,000	139,000
Total liabilities	56	139,000	139,056	143,779
Fund equity				
Contributed capital	1,115,229	334,720	1,449,949	1,505,871
Reserved for debt	-	16,470	16,470	14,381
Retained earnings - unreserved (deficit)	14,728	(14,292)	436	61,014
Total fund equity	1,129,957	336,898	1,466,855	1,581,266
Total liabilities and fund equity	$ 1,130,013	$ 475,898	$ 1,605,911	$ 1,725,045

Village of Owendale
Enterprise Funds
Combining Statement of Revenues and Expenses
Year Ended February 29, 2004
With Comparative Totals for Year Ended February 28, 2003

	Sanitary Sewer Fund	Water Fund	Year Ended February 29, 2004	Year Ended February 28, 2003
Operating revenues				
Charges for services	$ 20,724	$ 27,456	$ 48,180	$ 47,440
Operating expenses				
Salaries and wages	3,113	5,386	8,499	12,229
Telephone	705	-	705	618
Utilities	864	1,330	2,194	2,270
Rental expense	5,835	2,681	8,516	9,680
Professional fees - water testing	-	1,098	1,098	1,282
Administrative fees	2,766	1,002	3,768	3,660
Depreciation	45,543	15,273	60,816	60,816
Repair and maintenance	911	15,157	16,068	11,291
Miscellaneous	2,032	1,015	3,047	1,062
Total operating expenses	61,769	42,942	104,711	102,908
Net operating loss	(41,045)	(15,486)	(56,531)	(55,468)
Nonoperating revenues (expenses)				
Interest earned	643	227	870	2,303
Interest expense	-	(7,350)	(7,350)	(7,429)
Transfer out	(51,400)	-	(51,400)	(8,000)
Total nonoperating revenues (expenses)	(50,757)	(7,123)	(57,880)	(13,126)
Net loss	$ (91,802)	$ (22,609)	$ (114,411)	$ (68,594)

Village of Owendale
Enterprise Funds
Combining Statement of Changes in Retained Earnings and Contributions in Aid of Construction
Year Ended February 29, 2004 and February 28, 2003

	Retained Earnings			Contributions in Aid of Construction						
				Sanitary Sewer						
	Sanitary Sewer	Water	Total	Federal	State	Customers	Total	Water	Total	Total
Balance - February 28, 2002	$ 68,245	$ 19,822	$ 88,067	$ 1,026,536	$ 46,532	$ 133,085	$ 1,206,153	$ 355,640	$ 1,561,793	$ 1,649,860
Distribution of depreciation to contributed capital accounts	45,462	10,460	55,922	(38,693)	(1,755)	(5,014)	(45,462)	(10,460)	(55,922)	-
Net income (loss) for the year	(52,639)	(15,955)	(68,594)	-	-	-	-	-	-	(68,594)
Balance - February 28, 2003	61,068	14,327	75,395	987,843	44,777	128,071	1,160,691	345,180	1,505,871	1,581,266
Distribution of depreciation to contributed capital accounts	45,462	10,460	55,922	(38,693)	(1,755)	(5,014)	(45,462)	(10,460)	(55,922)	-
Net income (loss) for the year	(91,802)	(22,609)	(114,411)	-	-	-	-	-	-	(114,411)
Balance - February 29, 2004	$ 14,728	$ 2,178	$ 16,906	$ 949,150	$ 43,022	$ 123,057	$ 1,115,229	$ 334,720	$ 1,449,949	$ 1,466,855

Village of Owendale
Enterprise Funds
Combining Statement of Cash Flows
Year Ended February 29, 2004
With Comparative Totals for Year Ended February 28, 2003

	Sanitary Sewer Fund	Water Fund	Year Ended February 29, 2004	Year Ended February 28, 2003
Cash flows from operating activities				
Net income (loss) from operations	$ (41,045)	$ (15,486)	$ (56,531)	$ (55,468)
Adjustments to reconcile net loss to net cash provided by operating activities				
Depreciation	45,543	15,273	60,816	60,816
Receivables - current	72	(205)	(133)	84
Receivables - restricted	675	-	675	1,492
Due to/from other funds	4,705	(5,362)	(657)	(7,066)
Net cash provided (used) by operating activities	9,950	(5,780)	4,170	(142)
Cash flows from noncapital financing activities				
Transfer to other funds	(51,400)	-	(51,400)	(8,000)
Net cash used by noncapital financing activities	(51,400)	-	(51,400)	(8,000)
Cash flows from capital and related financing activities				
Bond proceeds (payments)	-	(2,000)	(2,000)	(1,000)
Interest paid	-	(7,350)	(7,350)	(7,429)
Net cash used by capital and related financing activities	-	(9,350)	(9,350)	(8,429)
Cash flows from investing activities				
Interest earnings	643	227	870	2,303
Net cash provided by investing activities	643	227	870	2,303
Net increase (decrease) in cash	(40,807)	(14,903)	(55,710)	(14,268)
Cash at beginning of year	121,485	44,252	165,737	180,005
Cash at end of year	$ 80,678	$ 29,349	$ 110,027	$ 165,737

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Saginaw

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Members of the Village Council
Village of Owendale
Owendale, Michigan

We have audited the financial statements of the Village of Owendale as of and for the year ended February 29, 2004, and have issued our report thereon dated April 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

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

Yeo & Yeo P.C.
CPAs & Business Consultants
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Saginaw, MI 48602
(989) 793-9830 • Fax: (989) 793-0186

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village of Owendale's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Yeo & Yeo, P.C.

Saginaw, Michigan
April 13, 2004