

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 type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

YES NO 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 type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature		Printed Name		License Number



Sister City to
Oxford, England
EST. 912

**VILLAGE OF OXFORD
MICHIGAN**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2007

**VILLAGE OF OXFORD
MICHIGAN**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2007

VILLAGE OF OXFORD, MICHIGAN
Basic Financial Statements and Supplementary Information
For the Year Ended June 30, 2007

Table of Contents

	<u>Page</u>
<i>FINANCIAL SECTION</i>	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	15-16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	21-22
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Major Streets Fund	23
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Municipal Streets Fund	24
Statement of Net Assets - Proprietary Funds	25
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	27-28
Statement of Fiduciary Net Assets - Fiduciary Funds	29
Notes to the Financial Statements	30-52

VILLAGE OF OXFORD, MICHIGAN
Basic Financial Statements and Supplementary Information
For the Year Ended June 30, 2007

Table of Contents

Required Supplementary Information:	
Schedule of Funding Progress - Employees Retirement Systems	53
Combining and Individual Fund Financial Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	55
Component Unit Financial Statements:	
Statement of Net Assets and Governmental Fund Balance Sheet	56
Reconciliation of Governmental Fund Balance Sheet to Statement of Net Assets	57
Statement of Activities and Revenues, Expenditures and Changes in Fund Balance	58-59
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	60
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	61-64

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

December 18, 2007

To the Village Council
Village of Oxford, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *Village of Oxford, Michigan*, as of and for the year ended June 30, 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 Oxford, Michigan'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 and the standards applicable to financial audits contained in *Government 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 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *Village of Oxford, Michigan*, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General fund, Major Streets fund and Municipal Streets fund for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2007, on our consideration of the *Village of Oxford, Michigan's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on Pages 3 through 13 and the Schedule of Funding Progress on Page 53 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 Oxford, Michigan's* basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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.

A handwritten signature in cursive script that reads "Lehmann Johnson".

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

VILLAGE OF OXFORD, MICHIGAN

Management's Discussion and Analysis

As management of the *Village of Oxford, Michigan*, (the "Village") we offer readers of the Village's financial statements this narrative overview and analysis of the activities of the Village for the fiscal year ended June 30, 2007.

Financial Highlights

- At the end of the current fiscal year, unreserved fund balance for the general fund was \$759,336 or 35% of total general fund expenditures for the fiscal year. The total general fund balance of \$863,522 decreased by \$79,660 or 8%.
- The special revenue street funds (major, local and municipal) total fund balances increased by \$260,416, or 59.9%, to a total of \$695,082.
- The Sewer Fund had an operating loss of \$40,843, with level revenue (\$530,000) and expenses (\$570,000) including depreciation of approximately \$100,000, compared to the prior year. Non-operating income and net transfers resulted in a net increase in assets of \$7,068 for a net assets total \$2,494,958. The Sewer Fund's unrestricted net assets increased by \$105,817, or 7.6%, to \$1,502,997.
- The Water Fund had operating income of \$140,244, with revenue (\$715,000) and expenses (\$575,000) including depreciation of approximately \$117,000, compared to the prior year. Non-operating income and net transfers resulted in a net increase in assets of \$68,352 for a net assets total of \$2,454,579. The Water Fund's unrestricted net assets decreased by \$165,211, or 25.7%, to \$479,158.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues

VILLAGE OF OXFORD, MICHIGAN

Management's Discussion and Analysis

and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include general government, public safety, public works, highways and streets, recreation and culture, and community and economic development. The business-type activities of the Village include water distribution and sanitary sewer operations.

The government-wide financial statements include not only the Village of Oxford itself (known as the *primary government*), but also a legally separate downtown development authority known as the Downtown Development Authority, for which the Village is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The Building Authority, also legally separate, functions for all practical purposes as a department of the Village, and therefore has been included as an integral part of the primary government.

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

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

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

The Village maintains eight individual governmental funds. Information is presented

VILLAGE OF OXFORD, MICHIGAN

Management's Discussion and Analysis

separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Capital Projects funds, which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* after the *Notes to Financial Statements*.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets for the General, Major Streets and Municipal Streets funds.

Proprietary funds. The Village maintains two different types of proprietary funds: *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village uses enterprise funds to account for its water and sanitary sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village uses an internal service fund to account for its motor equipment fleet. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sanitary sewer operations, both of which are considered to be major funds of the Village.

Fiduciary funds. The Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to a schedule concerning the Village's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

VILLAGE OF OXFORD, MICHIGAN
Management's Discussion and Analysis

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Oxford, assets exceeded liabilities by \$10,666,378 at the close of the most recent fiscal year.

A large portion of the Village's net assets (61%) reflects its investment in capital assets (e.g., land, buildings and improvements, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to residents; consequently, these assets are *not* available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 1,983,366	\$ 2,148,471	\$ 2,749,853	\$ 2,752,534	\$ 4,733,219	\$ 4,901,005
Capital assets, net	6,432,306	6,509,980	4,050,105	4,256,393	10,482,411	10,766,373
Total assets	8,415,672	8,658,451	6,799,958	7,008,927	15,215,630	15,667,378
Current liabilities	554,946	481,318	284,804	263,516	839,750	744,834
Noncurrent liabilities	2,447,363	2,646,798	2,215,941	2,354,882	4,663,304	5,001,680
Total liabilities	3,002,309	3,128,116	2,500,745	2,618,398	5,503,054	5,746,514
Net assets:						
Invested in capital assets, net of related debt	3,829,943	3,666,175	2,657,090	2,538,504	6,487,033	6,204,679
Restricted assets	978,596	615,965	310,292	13,220	1,288,888	629,185
Unrestricted	604,824	1,248,195	2,285,633	2,606,434	2,890,457	3,854,629
Total net assets	\$ 5,413,363	\$ 5,530,335	\$ 5,253,015	\$ 5,158,158	\$ 10,666,378	\$ 10,688,493

An additional portion of the Village's net assets (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, 2,890,457 or 27%, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

VILLAGE OF OXFORD, MICHIGAN
Management's Discussion and Analysis

The Village's net assets were virtually unchanged.

Governmental activities. Governmental activities decreased the Village's net assets by \$116,972 to a total of \$5,413,363. This decrease is primarily due from operational activities.

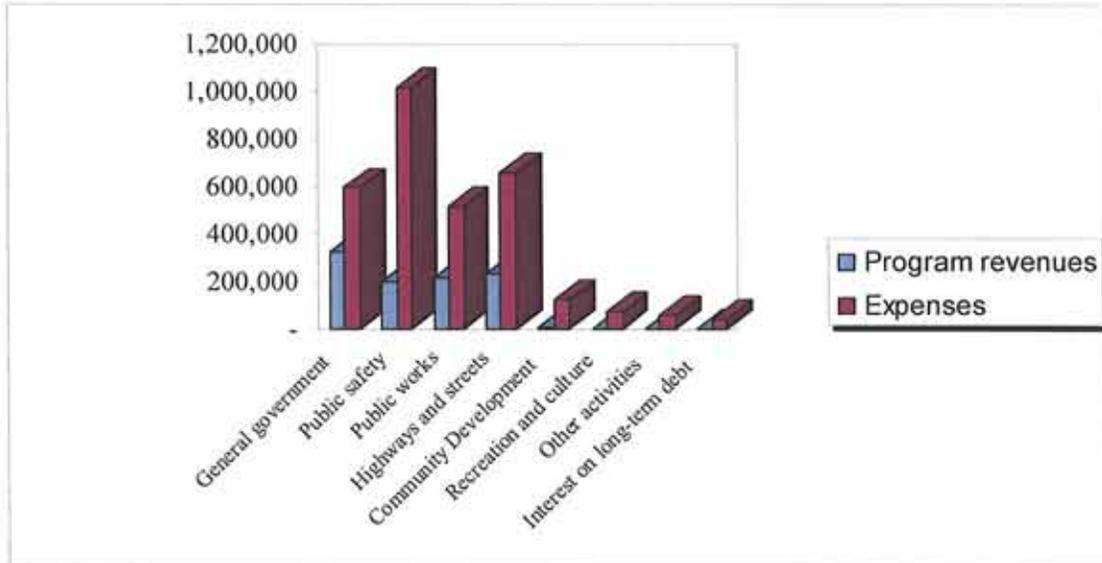
VILLAGE OF OXFORD, MICHIGAN
Management's Discussion and Analysis

Village of Oxford's Changes in Net Assets

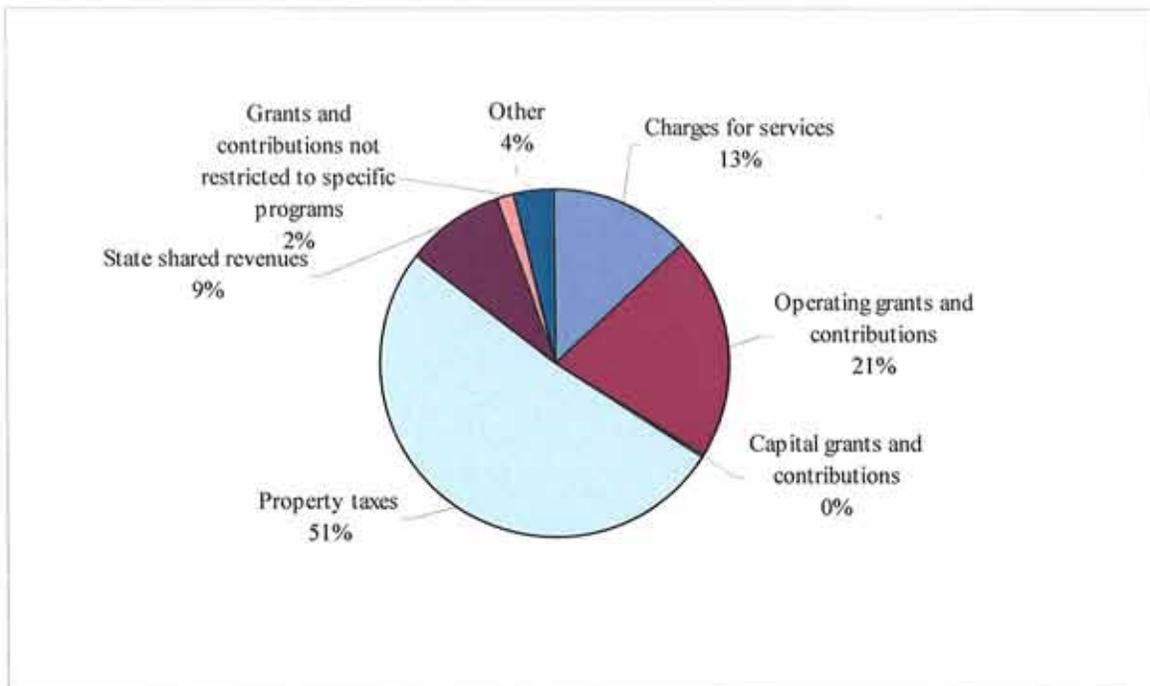
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue:						
Program revenues:						
Charges for services	\$ 369,606	\$ 345,716	\$ 1,217,737	\$ 1,324,099	\$ 1,587,343	\$ 1,669,815
Operating grants and contributions	588,773	727,438	1,819	967	590,592	728,405
Capital grants and contributions	7,486	7,587	24,215	20,304	31,701	27,891
General revenues:						
Property taxes	1,459,501	1,596,180	-	-	1,459,501	1,596,180
State shared revenue	252,297	259,230	-	-	252,297	259,230
Grants and contributions not restricted to specific programs	49,275	334,387	4,400	7,200	53,675	341,587
Other	105,472	131,591	113,538	100,107	219,010	231,698
Total revenues	<u>2,832,410</u>	<u>3,402,129</u>	<u>1,361,709</u>	<u>1,452,677</u>	<u>4,194,119</u>	<u>4,854,806</u>
Expenses:						
General government	611,304	712,597	-	-	611,304	712,597
Public safety	880,027	1,142,373	-	-	880,027	1,142,373
Public works	517,349	482,329	-	-	517,349	482,329
Highways and streets	657,441	790,647	-	-	657,441	790,647
Recreation and culture	74,546	46,059	-	-	74,546	46,059
Community and economic development	122,550	90,446	-	-	122,550	90,446
Other activities	54,293	116,312	-	-	54,293	116,312
Interest on long-term debt	42,172	25,110	-	-	42,172	25,110
Sewage disposal system	-	-	563,974	573,011	563,974	573,011
Water supply system	-	-	692,578	813,691	692,578	813,691
Total expenses	<u>2,959,682</u>	<u>3,405,873</u>	<u>1,256,552</u>	<u>1,386,702</u>	<u>4,216,234</u>	<u>4,792,575</u>
Change in net assets before transfers	(127,272)	(3,744)	105,157	65,975	(22,115)	62,231
Transfers	10,300	10,300	(10,300)	(10,300)	-	-
Change in net assets	<u>(116,972)</u>	<u>6,556</u>	<u>94,857</u>	<u>55,675</u>	<u>(22,115)</u>	<u>62,231</u>
Net assets-beginning	5,530,335	5,523,779	5,158,158	5,102,483	10,688,493	10,626,262
Net assets-ending	<u>\$ 5,413,363</u>	<u>\$ 5,530,335</u>	<u>\$ 5,253,015</u>	<u>\$ 5,158,158</u>	<u>\$ 10,666,378</u>	<u>\$ 10,688,493</u>

VILLAGE OF OXFORD, MICHIGAN
Management's Discussion and Analysis

Expenses and Program Revenues – Governmental Activities



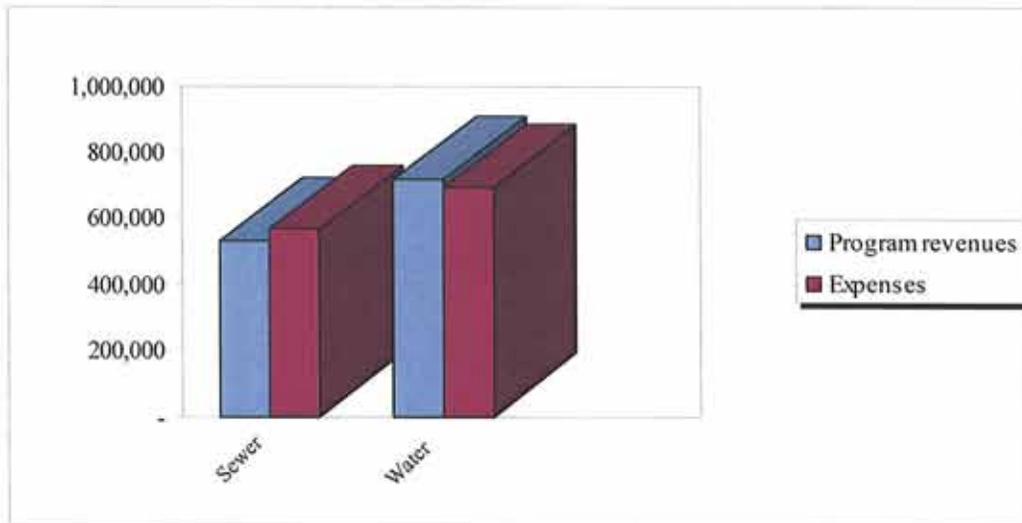
Revenues by Source – Governmental Activities



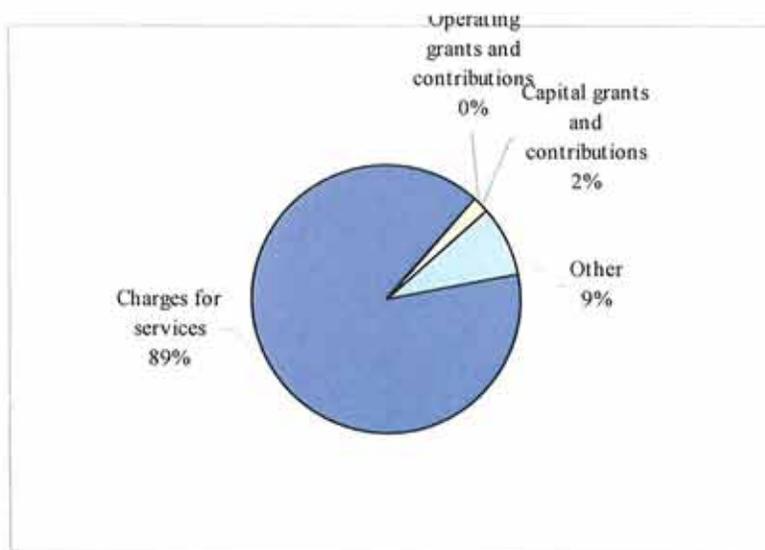
VILLAGE OF OXFORD, MICHIGAN
Management's Discussion and Analysis

Business-type Activities. Business-type activities increased the Village's net assets by \$94,857, contributing to the Village's total increase in net assets.

Expenses and Program Revenues - Business-Type Activities



Revenues by Sources – Business-Type Activities



VILLAGE OF OXFORD, MICHIGAN

Management's Discussion and Analysis

Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,757,118, a decrease of \$267,285 in comparison with the prior year. Approximately 93% of this total amount, or \$1,628,095 constitutes *unreserved, undesignated fund balance* and is available for spending at the government's discretion.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, *unreserved* fund balance of the general fund was \$759,336, while total fund balance was \$863,522. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 35% of total general fund expenditures, while total fund balance represents 40% of the same amount.

The fund balance of the Village's general fund decreased by \$79,660 during the current fiscal year. This is primarily attributable to:

- Budgeting the use of prior year fund balance for current year operations including capital outlays.

Proprietary funds. The Village's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Fund at the end of the year amounted to \$1,502,997 and the Water Fund's unrestricted net assets amounted to \$479,158. The increase in Sewer Fund net assets was \$7,080 and the increase in Water Fund net assets amounted to \$68,352. Over the past several years, the net assets of the Water and Sewer Funds has been maintained to provide for future maintenance needs of the system.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor. The decrease in budgeted revenues of \$11,000 to \$2,534,326, and the increase in budgeted expenditures of \$133,021 to \$2,486,760 can be briefly summarized as follows:

VILLAGE OF OXFORD, MICHIGAN
Management's Discussion and Analysis

Revenues:

- Decrease in licenses and building permits of \$19,000
- Decrease in State revenue sharing of \$27,000
- Decrease in Federal grants of \$5,500
- Decrease in other revenues of \$19,000
- A favorable budgeted revenue variance in interest earnings of \$50,000

Expenses:

- Attorney fees increasing by \$47,000 due to litigation costs on various cases.
- Community promotions increase of \$21,000 for events

Capital Asset and Debt Administration

Capital assets. The Village's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounted to \$11,436,213 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles, and roads, highways, and other infrastructure. The total decrease in the Village's investment in capital assets for the current fiscal year was \$97,789, or 1%, which represents a decrease in governmental activities of \$77,674, or 1%, and an decrease in business-type activities of \$20,115, or less than 1%.

Village of Oxford's Capital Assets
(net of depreciation)

	Activities	Activities	Total
Land	\$ 468,448	\$ 709,744	\$ 1,178,192
Construction in progress	492,053	244,058	736,111
Buildings and systems	858,010	4,050,105	4,908,115
Street lighting	11,746	-	11,746
Furniture and equipment	296,475	-	296,475
Vehicles	44,650	-	44,650
Infrastructure	4,260,924	-	4,260,924
Total	\$ 6,432,306	\$ 5,003,907	\$ 11,436,213

Further information regarding capital assets can be found in the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, the Village had total bonded debt and notes outstanding of \$5,138,998 backed by the full faith and credit of the government. Their purpose is attributable in total to governmental activities. The remainder of the Villages debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

VILLAGE OF OXFORD, MICHIGAN
Management's Discussion and Analysis

Village of Oxford's Outstanding Debt
General Obligation Bonds and Notes

Capital Improvement bonds	\$ 2,219,692	\$ -	\$ 2,219,692	\$ 710,303
Building Authority bonds	155,000	-	155,000	-
Parking District bonds	100,000	-	100,000	-
Motor Pool note	127,662	-	127,662	-
Revenue bonds	-	1,106,817	1,106,817	-
DWRF bonds	-	1,240,000	1,240,000	-
	<u>\$ 2,602,354</u>	<u>\$ 2,346,817</u>	<u>\$ 4,949,171</u>	<u>\$ 710,303</u>

Total obligation debt decreased by \$335,708 through principal payments and the amortization of bond discounts.

Further information regarding long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Village's budget for the 2007-08 fiscal year:

- Revenue limitations including property tax cap of 3.7%; flat state shared revenues over the past few years and slightly higher interest investment rates.
- An 8% increase in health insurance costs and a slight increase in general liability and property insurance premiums.

Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Manager, P.O. Box 94, 22 W. Burdick Street, Oxford, Michigan 48371.

***BASIC FINANCIAL
STATEMENTS***

VILLAGE OF OXFORD, MICHIGAN
Statement of Net Assets
June 30, 2007

	Governmental	Business-type		Component Unit
	Activities	Activities	Total	Downtown
				Development
				Authority
Assets				
Cash and cash equivalents	\$ 1,934,671	\$ 1,673,229	\$ 3,607,900	\$ 956,555
Receivables, net	276,310	250,702	527,012	20,914
Internal balances	(358,685)	358,685	-	-
Due from primary government, net	-	-	-	27,186
Prepaid items and other assets	46,070	106,945	153,015	603
Temporarily restricted assets:				
Cash and cash equivalents	-	360,292	360,292	-
Escrow on land purchase	85,000	-	85,000	85,000
Capital assets not being depreciated	960,501	953,802	1,914,303	1,297,354
Capital assets being depreciated, net	5,471,805	4,050,105	9,521,910	46,380
Total assets	8,415,672	7,753,760	16,169,432	2,433,992
Liabilities				
Accounts payable and accrued liabilities	221,162	138,524	359,686	34,841
Customer deposits	-	5,000	5,000	-
Due to component unit, net	27,186	-	27,186	-
Unearned revenue	100,000	2,579	102,579	-
Noncurrent liabilities:				
Due within one year	206,598	138,701	345,299	42,420
Due in more than one year	2,447,363	2,215,941	4,663,304	670,333
Total liabilities	3,002,309	2,500,745	5,503,054	747,594
Net assets				
Invested in capital assets, net of related debt	3,829,943	2,657,090	6,487,033	633,431
Restricted for:				
Debt service	92,291	310,292	402,583	-
Highways and streets	695,082	-	695,082	-
Capital projects	98,912	-	98,912	-
Other purposes	92,311	-	92,311	85,000
Unrestricted	604,824	2,285,633	2,890,457	967,967
Total net assets	\$ 5,413,363	\$ 5,253,015	\$ 10,666,378	\$ 1,686,398

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

VILLAGE OF OXFORD, MICHIGAN
Statement of Activities
For the Year Ended June 30, 2007

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Primary government:					
Governmental activities:					
General government	\$ 611,304	\$ 12,801	\$ 310,492	\$ -	\$ (288,011)
Public safety	880,027	132,327	55,888	7,486	(684,326)
Public works	517,349	212,368	-	-	(304,981)
Highways and streets	657,441	12,110	219,393	-	(425,938)
Community and economic development	122,550	-	3,000	-	(119,550)
Recreation and culture	74,546	-	-	-	(74,546)
Other governmental activities	54,293	-	-	-	(54,293)
Interest on long-term debt	42,172	-	-	-	(42,172)
Total governmental activities	<u>2,959,682</u>	<u>369,606</u>	<u>588,773</u>	<u>7,486</u>	<u>(1,993,817)</u>
Business-type activities:					
Sewer	563,974	528,450	-	-	(35,524)
Water	692,578	689,287	1,819	24,215	22,743
Total business-type activities	<u>1,256,552</u>	<u>1,217,737</u>	<u>1,819</u>	<u>24,215</u>	<u>(12,781)</u>
Total primary government	<u>\$ 4,216,234</u>	<u>\$ 1,587,343</u>	<u>\$ 590,592</u>	<u>\$ 31,701</u>	<u>\$ (2,006,598)</u>
Component unit:					
Downtown development authority	<u>\$ 498,248</u>	<u>\$ 696</u>	<u>\$ 22,384</u>	<u>\$ -</u>	<u>\$ (475,168)</u>

continued...

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

VILLAGE OF OXFORD, MICHIGAN
Statement of Activities (Concluded)
For the Year Ended June 30, 2007

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Downtown Development Authority</u>
Changes in net assets				
Net (expense) revenue	\$ (1,993,817)	\$ (12,781)	\$ (2,006,598)	\$ (475,168)
General revenues:				
Property taxes	1,459,501	-	1,459,501	409,075
State shared revenue	252,297	-	252,297	-
Grants and contributions not restricted to specific programs	49,275	4,400	53,675	-
Unrestricted investment earnings	105,472	113,538	219,010	53,819
Transfers - internal activities	10,300	(10,300)	-	-
Total general revenues and transfers	<u>1,876,845</u>	<u>107,638</u>	<u>1,984,483</u>	<u>462,894</u>
Change in net assets	(116,972)	94,857	(22,115)	(12,274)
Net assets, beginning of year	<u>5,530,335</u>	<u>5,158,158</u>	<u>10,688,493</u>	<u>1,698,672</u>
Net assets, end of year	<u>\$ 5,413,363</u>	<u>\$ 5,253,015</u>	<u>\$ 10,666,378</u>	<u>\$ 1,686,398</u>

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

VILLAGE OF OXFORD, MICHIGAN
Balance Sheet
Governmental Funds
June 30, 2007

	General	Special Revenue		Capital Projects	Other Governmental Funds	Total Governmental Funds
		Major Street	Municipal Street			
Assets						
Cash and cash equivalents	\$1,108,268	\$ 32,100	\$ 187,098	\$ 172,172	\$ 101,507	\$ 1,601,145
Receivables:						
Accounts receivable	87,979	-	-	-	-	87,979
Taxes-delinquent	29,861	-	-	-	-	29,861
Allowance for delinquent taxes	(13,317)	-	-	-	-	(13,317)
Special assessments	-	-	-	-	43,702	43,702
Due from other funds	3,613	215,185	424,599	-	17,924	661,321
Due from component units	26,329	-	-	-	-	26,329
Due from other governments	92,575	26,286	-	-	9,224	128,085
Deposit - restricted for land acquisition	85,000	-	-	-	-	85,000
Prepaid items	19,186	2,047	-	-	22,790	44,023
Total assets	\$1,439,494	\$ 275,618	\$ 611,697	\$ 172,172	\$ 195,147	\$ 2,694,128
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 118,662	\$ 7,023	\$ -	\$ 19,745	\$ 1,909	\$ 147,339
Accrued liabilities	13,532	-	-	-	-	13,532
Due to other funds	427,234	3,395	233,054	-	563	664,246
Due to component units	-	-	-	53,515	-	53,515
Deferred revenue	16,544	-	-	-	41,834	58,378
Total liabilities	575,972	10,418	233,054	73,260	44,306	937,010
Fund balances:						
Reserved for:						
Prepays and deposits	104,186	2,047	-	-	22,790	129,023
Unreserved:						
Undesignated reported in:						
General fund	759,336	-	-	-	-	759,336
Special revenue funds	-	263,153	378,643	-	58,550	700,346
Debt service	-	-	-	-	69,501	69,501
Capital projects	-	-	-	98,912	-	98,912
Total fund balances	863,522	265,200	378,643	98,912	150,841	1,757,118
Total liabilities and fund balances	\$1,439,494	\$ 275,618	\$ 611,697	\$ 172,172	\$ 195,147	\$ 2,694,128

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

VILLAGE OF OXFORD, MICHIGAN
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2007

Fund balances - total governmental funds \$ 1,757,118

Amounts reported for 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 in the funds.

Add: capital assets	12,206,387
Deduct: accumulated depreciation	(6,611,777)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred personal property taxes and special assessments	58,378
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An internal service fund is used by management to charge the costs of certain equipment usage to individual funds. A portion of the assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in the internal service fund	561,212
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: bonds payable	(2,474,692)
Deduct: accrued interest payable	(31,665)
Deduct: compensated absences	(51,598)

Net assets of governmental activities	<u>\$ 5,413,363</u>
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF OXFORD, MICHIGAN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	General	Special Revenue		Capital Projects	Other Governmental Funds	Total Governmental Funds
		Major Street	Municipal Street			
Revenues						
Property taxes	\$ 1,453,407	\$ -	\$ -	\$ -	\$ 14,924	\$ 1,468,331
Licenses and permits	17,875	-	-	-	-	17,875
Intergovernmental	320,084	162,407	-	-	56,986	539,477
Charges for services	228,232	-	-	-	-	228,232
Fines and forfeitures	49,675	-	-	-	-	49,675
Investment earnings	65,009	7,318	9,456	2,529	6,519	90,831
Other	400,025	2,009	10,101	20,043	-	432,178
Total revenues	<u>2,534,307</u>	<u>171,734</u>	<u>19,557</u>	<u>22,572</u>	<u>78,429</u>	<u>2,826,599</u>
Expenditures						
Current:						
General government	582,896	-	-	-	-	582,896
Public safety	865,125	-	-	-	-	865,125
Public works	491,245	-	-	-	-	491,245
Highways and streets	-	134,129	1,111	-	63,533	198,773
Community and economic development	100,284	-	-	-	-	100,284
Recreation and culture	44,096	-	-	-	-	44,096
Other functions	54,293	-	-	-	-	54,293
Capital Outlay	9,129	-	-	473,916	-	483,045
Debt service:						
Principal	10,000	128,788	-	-	40,000	178,788
Interest and fiscal charges	300	86,395	-	-	18,944	105,639
Total expenditures	<u>2,157,368</u>	<u>349,312</u>	<u>1,111</u>	<u>473,916</u>	<u>122,477</u>	<u>3,104,184</u>
Revenues over (under) expenditures	<u>376,939</u>	<u>(177,578)</u>	<u>18,446</u>	<u>(451,344)</u>	<u>(44,048)</u>	<u>(277,585)</u>
Other financing sources (uses)						
Transfers in	10,300	215,185	424,599	-	102,439	752,523
Transfers out	(466,899)	-	(233,054)	-	(42,270)	(742,223)
Total other financing sources (uses)	<u>(456,599)</u>	<u>215,185</u>	<u>191,545</u>	<u>-</u>	<u>60,169</u>	<u>10,300</u>
Net change in fund balances	(79,660)	37,607	209,991	(451,344)	16,121	(267,285)
Fund balances, beginning of year	<u>943,182</u>	<u>227,593</u>	<u>168,652</u>	<u>550,256</u>	<u>134,720</u>	<u>2,024,403</u>
Fund balances, end of year	<u>\$ 863,522</u>	<u>\$ 265,200</u>	<u>\$ 378,643</u>	<u>\$ 98,912</u>	<u>\$ 150,841</u>	<u>\$ 1,757,118</u>

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

VILLAGE OF OXFORD, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2007

Net change in fund balances - total governmental funds	\$ (267,285)
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Add: capital outlay	491,179
Less: depreciation expense	(508,057)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.</p>	
Deduct: net difference in deferred revenue	(8,830)
<p>Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	
Add: principal payments on long-term liabilities	178,788
<p>An internal service fund is used by management to charge the costs of certain equipment usage to individual funds. A portion of the net revenue (expense) of the internal service fund attributable to those funds is reported with governmental activities.</p>	
Add: net income from governmental activities in the internal service fund	24,209
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.</p>	
Less: increase in the accrual for compensated absences	(12,204)
Less: increase in accrued interest payable on bonds	(14,772)
Change in net assets of governmental activities	\$ (116,972)

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

VILLAGE OF OXFORD, MICHIGAN
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,448,340	\$ 1,450,660	\$ 1,453,407	\$ 2,747
Licenses and permits	36,985	17,875	17,875	-
Intergovernmental:				
Federal grants	23,500	17,000	3,000	(14,000)
State grants	289,490	262,377	262,813	436
Local reimbursements	54,270	54,270	54,271	1
Charges for services	226,220	223,746	228,232	4,486
Fines and forfeitures	36,000	47,174	49,675	2,501
Investment earnings	14,250	64,907	65,009	102
Other	416,271	396,317	400,025	3,708
Total revenues	<u>2,545,326</u>	<u>2,534,326</u>	<u>2,534,307</u>	<u>(19)</u>
Expenditures				
General government:				
Council	12,990	6,066	6,064	2
Manager	112,411	104,158	104,900	(742)
Elections	-	130	130	-
Attorney	93,330	140,082	152,215	(12,133)
Clerk	246,141	185,937	194,598	(8,661)
Treasurer	59,774	66,516	64,518	1,998
Building & Grounds	63,850	77,661	60,070	17,591
Appeals fees	670	670	150	520
Beautification committee	5,300	5,300	251	5,049
Total general government	<u>594,466</u>	<u>586,520</u>	<u>582,896</u>	<u>3,624</u>
Public safety:				
Police	649,404	667,994	602,980	65,014
Fire	25,700	24,410	51	24,359
911 and Communications	273,470	285,650	242,154	43,496
Building inspection	20,851	26,913	19,940	6,973
Total public safety	<u>969,425</u>	<u>1,004,967</u>	<u>865,125</u>	<u>139,842</u>
Public works:				
Department of public works	253,377	261,099	231,473	29,626
Light poles	48,350	48,900	38,433	10,467
Engineering fees	4,000	4,053	4,053	-
Rubbish contracts	219,000	219,000	217,286	1,714
Total public works	<u>524,727</u>	<u>533,052</u>	<u>491,245</u>	<u>41,807</u>

Continued....

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

VILLAGE OF OXFORD, MICHIGAN
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Concluded....				
Community and economic development:				
Planning & building department	\$ 21,045	\$ 25,606	\$ 22,188	\$ 3,418
Planning fees	21,550	22,460	21,902	558
Public relations	38,630	59,879	56,194	3,685
Total community and economic development	<u>81,225</u>	<u>107,945</u>	<u>100,284</u>	<u>7,661</u>
Recreation and culture:				
Parks	<u>44,065</u>	<u>46,361</u>	<u>44,096</u>	<u>2,265</u>
Other functions:				
Insurance	62,355	62,355	41,500	20,855
Other	34,676	52,760	12,793	39,967
Total other functions	<u>97,031</u>	<u>115,115</u>	<u>54,293</u>	<u>60,822</u>
Capital Outlay	<u>90,500</u>	<u>82,500</u>	<u>9,129</u>	<u>73,371</u>
Debt service:				
Principal	10,000	10,000	10,000	-
Interest	300	300	300	-
Total debt service	<u>10,300</u>	<u>10,300</u>	<u>10,300</u>	<u>-</u>
Total expenditures	<u>2,411,739</u>	<u>2,486,760</u>	<u>2,157,368</u>	<u>329,392</u>
Revenues over (under) expenditures	<u>133,587</u>	<u>47,566</u>	<u>376,939</u>	<u>329,373</u>
Other financing sources (uses)				
Transfers in	(15,650)	4,200	10,300	6,100
Transfers out	(443,559)	(444,860)	(466,899)	(22,039)
Total other financing (uses)	<u>(459,209)</u>	<u>(440,660)</u>	<u>(456,599)</u>	<u>(15,939)</u>
Net change in fund balances	(325,622)	(393,094)	(79,660)	313,434
Fund balance, beginning of year	<u>943,182</u>	<u>943,182</u>	<u>943,182</u>	<u>-</u>
Fund balance, end of year	<u>\$ 617,560</u>	<u>\$ 550,088</u>	<u>\$ 863,522</u>	<u>\$ 313,434</u>

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

VILLAGE OF OXFORD, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Major Streets Fund
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Intergovernmental	\$ 179,187	\$179,187	\$ 162,407	\$ (16,780)
Investment earnings	1,000	8,000	7,318	(682)
Other	2,325	2,325	2,009	(316)
Total revenues	<u>182,512</u>	<u>189,512</u>	<u>171,734</u>	<u>(17,778)</u>
Expenditures				
Current:				
Routine maintenance	108,653	115,422	84,217	31,205
Winter maintenance	28,153	23,699	23,698	1
Traffic service	16,360	21,324	16,877	4,447
Administration	6,206	7,256	5,253	2,003
Debt Service:				
Principal	128,790	128,790	128,788	2
Interest expense	86,895	86,895	86,395	500
Other	22,640	21,311	4,084	17,227
Total expenditures	<u>397,697</u>	<u>404,697</u>	<u>349,312</u>	<u>55,385</u>
Revenues under expenditures	(215,185)	(215,185)	(177,578)	37,607
Other financing sources				
Transfers in	<u>215,185</u>	<u>215,185</u>	<u>215,185</u>	<u>-</u>
Net change in fund balances	-	-	37,607	37,607
Fund balance, beginning of year	<u>227,593</u>	<u>227,593</u>	<u>227,593</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 227,593</u></u>	<u><u>\$227,593</u></u>	<u><u>\$ 265,200</u></u>	<u><u>\$ 37,607</u></u>

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

VILLAGE OF OXFORD, MICHIGAN
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
Municipal Streets Fund
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Investment earnings	\$ 5,000	\$ 8,000	\$ 9,456	\$ 1,456
Other	11,000	11,000	10,101	(899)
Total revenues	<u>16,000</u>	<u>19,000</u>	<u>19,557</u>	<u>557</u>
Expenditures				
Highways and streets	207,535	210,535	1,111	209,424
Revenues under expenditures	(191,535)	(191,535)	18,446	209,981
Other financing sources				
Transfers in	424,589	424,589	424,599	10
Transfers out	(233,054)	(233,054)	(233,054)	-
Total other financing (uses)	<u>191,535</u>	<u>191,535</u>	<u>191,545</u>	<u>10</u>
Net change in fund balances	-	-	209,991	209,991
Fund balance, beginning of year	<u>168,652</u>	<u>168,652</u>	<u>168,652</u>	<u>-</u>
Fund balance, end of year	<u>\$ 168,652</u>	<u>\$168,652</u>	<u>\$ 378,643</u>	<u>\$ 209,991</u>

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

VILLAGE OF OXFORD, MICHIGAN
Statement of Net Assets
Proprietary Funds
June 30, 2007

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
				<u>Vehicle and Equipment Internal Service Fund</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,357,115	\$ 316,114	\$ 1,673,229	\$ 333,526
Accounts receivable	112,517	138,185	250,702	-
Due from other governments				
Due from other funds	13,145	1,235	14,380	10,056
Prepaid expenses	52,134	54,811	106,945	2,047
Total current assets	<u>1,534,911</u>	<u>510,345</u>	<u>2,045,256</u>	<u>345,629</u>
Noncurrent assets:				
Cash and cash equivalents with the County				
Restricted cash and cash equivalents	-	360,292	360,292	-
Advances to other funds	50,000	-	50,000	-
Non-depreciable capital assets	352,372	601,430	953,802	-
Capital assets being depreciated, net	639,589	3,410,516	4,050,105	837,696
Total noncurrent assets	<u>1,041,961</u>	<u>4,372,238</u>	<u>5,414,199</u>	<u>837,696</u>
Total assets	<u>2,576,872</u>	<u>4,882,583</u>	<u>7,459,455</u>	<u>1,183,325</u>
Liabilities				
Current liabilities:				
Accounts payable	77,970	20,027	97,997	27,677
Due to other funds	3,944	5,229	9,173	12,338
Advances payable - current portion	-	-	-	20,000
Total current liabilities	<u>81,914</u>	<u>25,256</u>	<u>107,170</u>	<u>60,015</u>
Current liabilities payable from restricted assets:				
Restricted deposit	-	5,000	5,000	-
Accrued interest	-	40,527	40,527	949
Bonds payable - current portion	-	138,701	138,701	19,020
Total current liabilities payable from restricted assets	<u>-</u>	<u>184,228</u>	<u>184,228</u>	<u>19,969</u>
Noncurrent liabilities:				
Charges received in advance	-	2,579	2,579	100,000
Accrued compensated absences	-	7,825	7,825	-
Notes payable	-	-	-	108,651
Bonds payable - net of current portion and unamortized bond discount of \$22,077	-	2,208,116	2,208,116	-
Advances from other funds	-	-	-	30,000
Total noncurrent liabilities	<u>-</u>	<u>2,218,520</u>	<u>2,218,520</u>	<u>238,651</u>
Total liabilities	<u>81,914</u>	<u>2,428,004</u>	<u>2,509,918</u>	<u>318,635</u>
Net Assets				
Investment in capital assets, net of related debt	991,961	1,665,129	2,657,090	710,025
Restricted for bond redemption	-	310,292	310,292	-
Unrestricted (deficit)	1,502,997	479,158	1,982,155	154,665
Total net assets	<u>\$ 2,494,958</u>	<u>\$ 2,454,579</u>	<u>4,949,537</u>	<u>\$ 864,690</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			303,478	
Net assets of business type activities			<u>\$ 5,253,015</u>	

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

VILLAGE OF OXFORD, MICHIGAN
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Motor Pool Internal Service Fund</u>
	Operating revenues			
Charges for services	\$ 526,471	\$ 713,502	\$ 1,239,973	\$ 206,593
Miscellaneous fees	4,400	-	4,400	-
Other	1,979	1,819	3,798	258
Total operating revenues	<u>532,850</u>	<u>715,321</u>	<u>1,248,171</u>	<u>206,851</u>
Operating expenses				
Personal services	37,167	206,396	243,563	55,978
Professional services	312,682	6,675	319,357	1,245
Supplies	3,714	48,729	52,443	12,610
Contractual services	-	33,627	33,627	1,958
Repairs and maintenance	-	1,000	1,000	9,485
Equipment rental	49,814	49,814	99,628	-
Insurance	9,847	14,147	23,994	8,824
Utilities	-	30,460	30,460	-
Depreciation	98,749	117,379	216,128	76,395
Administration	61,538	61,538	123,076	-
Other	182	5,312	5,494	-
Total operating expenses	<u>573,693</u>	<u>575,077</u>	<u>1,148,770</u>	<u>166,495</u>
Operating income (loss)	<u>(40,843)</u>	<u>140,244</u>	<u>99,401</u>	<u>40,356</u>
Non-operating revenues (expenses)				
Gain on sale of capital assets	-	-	-	(3,195)
Interest income	68,511	45,027	113,538	14,641
Interest expense	-	(127,219)	(127,219)	(8,156)
Total non-operating revenues (expenses)	<u>68,511</u>	<u>(82,192)</u>	<u>(13,681)</u>	<u>3,290</u>
Income (loss) before transfers	<u>27,668</u>	<u>58,052</u>	<u>85,720</u>	<u>43,646</u>
Transfers in	-	15,450	15,450	-
Transfers out	<u>(20,600)</u>	<u>(5,150)</u>	<u>(25,750)</u>	<u>-</u>
Change in net assets	<u>7,068</u>	<u>68,352</u>	<u>75,420</u>	<u>43,646</u>
Net assets, beginning of year	<u>2,487,890</u>	<u>2,386,227</u>		<u>821,044</u>
Net assets, end of year	<u>\$ 2,494,958</u>	<u>\$ 2,454,579</u>		<u>\$ 864,690</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			<u>19,437</u>	
Change in net assets of business-type activities			<u>\$ 94,857</u>	

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

VILLAGE OF OXFORD, MICHIGAN
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	Governmental Activities Motor Pool Internal Service Fund
Cash flows from operating activities				
Receipts from customers and users	\$ 524,537	\$ 729,415	\$ 1,253,952	\$ -
Receipts from interfund services provided	-	-	-	206,958
Payments to suppliers	(463,125)	(364,750)	(827,875)	(65,909)
Payments to employees	(37,167)	(206,396)	(243,563)	-
Payments for interfund services used	-	-	-	(27,718)
Net cash provided by operating activities	<u>24,245</u>	<u>158,269</u>	<u>182,514</u>	<u>113,331</u>
Cash flows from non-capital financing activities				
Transfers in	-	15,450	15,450	-
Transfers out	(20,600)	(5,150)	(25,750)	-
Net cash provided (used) by non-capital financing activities	<u>(20,600)</u>	<u>10,300</u>	<u>(10,300)</u>	<u>-</u>
Cash flows from capital and related financing activities				
Purchase of capital assets	-	(196,011)	(196,011)	(15,600)
Bond/note principal payments	-	(138,701)	(138,701)	(18,210)
Bond/note interest payments	(86)	(132,405)	(132,491)	(11,802)
Proceeds from sale of capital assets	-	-	-	(3,195)
Net cash (used) by capital and related financing activities	<u>(86)</u>	<u>(467,117)</u>	<u>(467,203)</u>	<u>(48,807)</u>
Cash flows from investing activities				
Investment income	<u>68,511</u>	<u>45,026</u>	<u>113,537</u>	<u>14,641</u>
Net increase (decrease) in cash and cash equivalents	72,070	(253,522)	(181,452)	79,165
Cash and cash equivalents, beginning of year	<u>1,285,045</u>	<u>929,928</u>	<u>2,214,973</u>	<u>254,361</u>
Cash and cash equivalents, end of year	<u>\$ 1,357,115</u>	<u>\$ 676,406</u>	<u>\$ 2,033,521</u>	<u>\$ 333,526</u>
Reconciliation to financial statements:				
Cash and cash equivalents	1,357,115	316,114	1,673,229	333,526
Restricted cash and cash equivalents	-	360,292	360,292	-
Total cash and cash equivalents	<u>\$ 1,357,115</u>	<u>\$ 676,406</u>	<u>\$ 2,033,521</u>	<u>\$ 333,526</u>

Continued...

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

VILLAGE OF OXFORD, MICHIGAN
Statement of Cash Flows (Concluded)
Proprietary Funds
For the Year Ended June 30, 2007

				Governmental Activities
	Sewer	Water	Total	Vehicle and Equipment Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (40,843)	\$ 140,244	\$ 99,401	\$ 40,356
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	98,749	117,379	216,128	76,395
Changes in assets and liabilities:				
Accounts receivable - customers	(8,313)	14,094	5,781	107
Due from other governments	-	-	-	-
Due from other funds	(1,345)	(1,235)	(2,580)	(10,056)
Prepaid items	8,353	35,644	43,997	(220)
Advances to other funds	10,000	-	10,000	-
Accounts payable	12,887	13,672	26,559	24,411
Due to other funds	(55,243)	(161,289)	(216,532)	12,338
Restricted deposits payable	-	-	-	-
Charges received in advance	-	-	-	(20,000)
Accrued compensated absences	-	(240)	(240)	-
Advances from other funds	-	-	-	(10,000)
Net cash provided by operating activities	\$ 24,245	\$ 158,269	\$ 182,514	\$ 113,331

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

VILLAGE OF OXFORD, MICHIGAN
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2007

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ 90,456
Due from other governments	<u>119</u>
Total assets	<u>\$ 90,575</u>
Liabilities	
Accounts payable	\$ 108
Accrued liabilities	39,926
Performance bonds	<u>50,541</u>
Total liabilities	<u>\$ 90,575</u>

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

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Village of Oxford, Michigan (the “Village” or “government”) is a municipal corporation governed by an elected five-member council and an appointed Village Manager. The accompanying financial statements present the Village (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government’s operations. 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 government.

Blended component unit

Building Authority. The members of the governing board of the Oxford Building Authority are appointed by the Village Council. The budgets and expenditures of the Building Authority are approved by the Village Council. For financial reporting purposes, the Building Authority is reported as if it were part of the Village’s operation because the Village has the ability to significantly influence operations, and the Building Authority’s sole purpose is to serve the Village. Complete financial statements of the Building Authority are not prepared.

Discretely presented component unit

Downtown Development Authority. The component unit column in the combined financial statements includes the financial data of the Village’s discretely presented component unit, the Downtown Development Authority (the “Authority”). The discretely presented component unit is reported in a separate column to emphasize it is legally separate from the Village. The members of the governing board of the Authority are appointed by the Village Council. The budgets and expenditures of the Authority must be approved by the Village Council. Complete financial statements of the Downtown Development Authority can be obtained at the Village’s administrative offices.

B. Basis of Presentation - Government-Wide and Fund Financial Statements

Government-wide financial statements. The statements of net assets and activities report information on all of the non-fiduciary activities of the primary government (the Village) and its component unit. For the most part, eliminations have been made to remove the effect of double-counting inter-fund activities. These statements distinguish between the Village’s *governmental* and *business-type activities*. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

transactions. Business-type activities rely to a significant extent on fees and charges for services. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which direct expenses are offset by program revenues for the different business-type activities of the Village and for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable with a particular function or segment. Program revenues include (1) fees, fines and charges paid by the recipients of goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including taxes and other items, are presented as general revenues.

Fund financial statements. The fund financial statements report in separate statements, information for governmental, proprietary and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide, proprietary and fiduciary fund financial statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

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 revenue of the Village's enterprise funds and internal services fund are charges to customers for sales and services. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Non-exchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants,

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

entitlements and donations is recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Village generally considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The exception to this relates to state shared revenues that are considered available if they are collected within ninety days after year-end. Property taxes, franchise taxes, intergovernmental revenues, licenses and interest are considered to be susceptible to accrual.

Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

The Village reports the following major governmental funds:

General fund. This is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major street fund. This fund accounts for maintenance of major streets funded by state revenues.

Municipal street fund. This fund accounts for resources to be used for major and local street construction projects.

Capital projects fund. This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

The Village reports the following major proprietary funds:

Sewer fund. This fund accounts for the activities of the sewage disposal and sewage treatment system.

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

Water fund. This fund accounts for the activities of the Village's water distribution and water treatment system.

Additionally, the Village reports the following fund types:

Special revenue funds. These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

Debt service funds. These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Internal service fund. This fund accounts for operations that provide services to other departments or agencies of the Village. The Village maintains one internal service fund, the Motor Equipment Fund.

Agency fund. This fund accounts for assets held for other governments in an agency capacity.

Both the government-wide and proprietary fund financial statements of the Village follow private-sector standards of accounting and financial reporting issued prior to December 1, 1989, unless those standards conflict with 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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Under the terms of grant agreements, the Village funds certain programs by a combination of specific cost-reimbursement grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Village's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

D. Assets, Liabilities and Equity

Deposits and investments

The Village maintains an investment pool for all Village funds. Each fund's portion of the investment pool is displayed on the statement of net assets/balance sheet as "cash and cash equivalents".

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value.

Receivables and payables

All trade and delinquent property tax receivables are shown net of an allowance for uncollectibles, as applicable.

All outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.

Inventories, prepaid items and other assets

All inventories are valued at cost using the first-in/first-out method. Generally, inventories of governmental funds are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted assets

Certain proceeds of the Village's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by the governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Actual historical cost was used as available. As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	5-25
Buildings and building improvements	5-25
Public domain infrastructure	15-25
Water and wastewater system infrastructure	10-40
Vehicles	2-10
Office equipment	5-10
Machinery and equipment	5-10

Compensated absences

It is the government's policy to permit employees to accumulate earned but unused sick and compensatory time benefits, subject to certain limitations. Sick time pay is accrued at 50 percent of earned and unused leave hours for union employees and 100 percent for non-union employees in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Fund balance designations represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general and special revenue funds. All annual appropriations lapse at year-end, except for those approved by the Village Council for carry forward. The legal level of budgetary control is the functional level for the general fund and the fund level for special revenue funds.

The Village Council requires the Village Manager to submit an estimate of revenues and anticipated expenditures for the succeeding fiscal year in June. The Village Manager is then authorized to assign and transfer budget amounts within each fund to the extent that the net total fund appropriation (which the Village defines as gross authorized expenditures less related revenues that are specifically designated to fund those activities) is not exceeded. Village Council approval is required for any budgetary changes that result in an increase to net appropriations.

Formal budgetary integration is employed as a management control during the year. Supplemental appropriations were approved by the Village Council in the form of budget amendment resolutions or as part of special authorizing motions for grants, bonds or notes, the total of which was not significant in relation to the original budget appropriation valuations.

B. Excess of Expenditures Over Appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2007, the Village did not incur expenditures in excess of the amounts appropriated.

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total</u>
Statement of net assets			
Cash and cash equivalents	\$ 3,607,900	\$ 956,955	\$ 4,564,455
Temporarily restricted cash and cash equivalents	360,292	-	360,292
Statement of fiduciary net assets			
Cash and cash equivalents	<u>90,456</u>	<u>-</u>	<u>90,456</u>
Total	<u>\$ 4,058,648</u>	<u>\$ 956,955</u>	<u>\$ 5,015,203</u>

These balances are disclosed in the notes as follows:

Bank deposits (checking accounts, savings accounts and CDs)	\$ 5,015,003
Cash on hand	<u>200</u>
Total	<u>\$ 5,015,203</u>

Investments

The Village is authorized by the Village Council, in accordance with State law, to invest surplus funds in the following:

- ◆ Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- ◆ Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- ◆ Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- ◆ Banker's acceptances of United States banks.

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

- ◆ Obligations of the State of Michigan and its political subdivisions that, at the time of purchase, are rated as investment grade by at least one standard rating service.
- ◆ Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- ◆ External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

As of year-end the Village had no investments.

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of investments above. The Village's investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Village's investment policy does not have specific limits in excess of state law on investment credit risk. The Village held no investments as of year-end.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. As of year-end, \$5,017,677 of the \$5,217,785 bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Village does not have a policy for investment custodial credit risk. The Village held no investments as of year-end.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

Village's investment policy does not have specific limits in excess of State law on concentration of credit risk.

As of year-end the Village had no investments.

B. Receivables

Receivables in the governmental activities are 46.4 percent (\$128,085) due from other governments, 27 percent (\$74,662) accounts receivables and 26.6 percent (\$73,563) taxes and special assessments. The entire business-type activities receivable is due from customers.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the deferred revenue was 36.9 percent made up of unavailable funds related to personal property taxes and special assessments (\$58,378) that have been earned, but not yet received and 63.1 percent prepaid rent from the water and sewer funds to the internal service fund (\$100,000).

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

C. Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

Primary government

Governmental activities

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 468,448	\$ -	\$ -	\$ -	\$ 468,448
Construction in progress	-	492,053	-	-	492,053
Total assets, not being depreciated	<u>468,448</u>	<u>492,053</u>	<u>-</u>	<u>-</u>	<u>960,501</u>
Capital assets being depreciated:					
Buildings and improvements	1,506,433	-	-	-	1,506,433
Street lighting	70,550	-	-	-	70,550
Office furnishings and equipment	1,412,439	14,731	-	-	1,427,170
Vehicles	89,957	-	-	-	89,957
Infrastructure	9,826,919	-	-	-	9,826,919
Total capital assets being depreciated	<u>12,906,298</u>	<u>14,731</u>	<u>-</u>	<u>-</u>	<u>12,921,029</u>
Less accumulated depreciation for:					
Buildings and improvements	604,753	43,670	-	-	648,423
Street lighting	51,749	7,055	-	-	58,804
Office furnishings and equipment	996,193	134,502	-	-	1,130,695
Vehicles	28,440	16,867	-	-	45,307
Infrastructure	5,183,638	382,357	-	-	5,565,995
Total accumulated depreciation	<u>6,864,773</u>	<u>584,451</u>	<u>-</u>	<u>-</u>	<u>7,449,224</u>
Total capital assets being depreciated, net	<u>6,041,525</u>	<u>(569,720)</u>	<u>-</u>	<u>-</u>	<u>5,471,805</u>
Governmental activities capital assets, net	<u>\$ 6,509,973</u>	<u>\$ (77,667)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,432,306</u>

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

Business-type activities

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Capital asset, not being depreciated:					
Land	\$ 709,744	\$ -	\$ -	\$ -	\$ 709,744
Construction in progress	57,885	186,173	-	-	244,058
Total assets, not being depreciated	767,629	186,173	-	-	953,802
Capital assets, being depreciated					
Land improvements	34,727	-	-	-	34,727
Buildings and improvements	286,414	-	-	-	286,414
Office furnishing and equipment	22,154	-	-	-	22,154
Water supply system improvements	4,652,763	-	-	-	4,652,763
Village lateral lines	2,670,322	-	-	-	2,670,322
Paint Creek interceptor	1,137,457	-	-	-	1,137,457
Machinery and equipment	314,498	9,842	-	-	324,340
Total capital assets being depreciated	9,118,335	9,842	-	-	9,128,177
Less accumulated depreciation for:					
Land improvements	26,545	677	-	-	27,222
Buildings and improvements	192,179	7,772	-	-	199,951
Office furnishings and equipment	22,154	-	-	-	22,154
Water supply system improvements	1,297,125	176,887	-	-	1,474,012
Village lateral lines	2,153,125	66,758	-	-	2,219,883
Paint Creek interceptor	924,204	28,436	-	-	952,640
Machinery and equipment	246,615	4,889	-	(69,294)	182,210
Total accumulated depreciation	4,861,947	285,419	-	(69,294)	5,078,072
Total capital assets being depreciated, net	4,256,388	(275,577)	-	69,294	4,050,105
Business-type activities capital assets, net	\$ 5,024,017	\$ (89,404)	\$ -	\$ 69,294	\$ 5,003,907

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

Governmental activities	
General government	\$ 80,398
Public safety	23,036
Highways and streets	382,356
Motor pool	76,395
Total depreciation expense - governmental activities	\$ 584,451
 Business-type activities	
Water fund	\$ 117,379
Sewer fund	98,749
Total depreciation expense - business-type activities	\$ 216,128

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

Discretely presented component unit

Activity for the Downtown Development Authority for the year ended June 20, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,205,831		\$ (1)	\$ 1,205,830
Construction in progress	20,022	71,502	-	91,524
Total of assets, not being depreciated	<u>1,225,853</u>	<u>71,502</u>	<u>(1)</u>	<u>1,297,354</u>
Capital assets, being depreciated				
Land Improvements	53,515		-	53,515
Street lighting	24,255	-	-	24,255
Equipment	17,314	-	-	17,314
Total capital assets being depreciated	<u>95,084</u>	<u>-</u>	<u>-</u>	<u>95,084</u>
Less accumulated depreciation for:				
Land Improvements	2,676	4,459	-	7,135
Street lighting	24,255	-	-	24,255
Equipment	17,314	-	-	17,314
Total accumulated depreciation	<u>44,245</u>	<u>4,459</u>	<u>-</u>	<u>48,704</u>
Total capital assets being depreciated, net	<u>50,839</u>	<u>(4,459)</u>	<u>-</u>	<u>46,380</u>
Component unit activity capital assets, net	<u>\$ 1,276,692</u>	<u>\$ 67,043</u>	<u>\$ (1)</u>	<u>\$ 1,343,734</u>

D. Interfund Receivables, Payables and Transfers

The following are the interfund receivables and payables balances at June 30, 2007:

Fund due to	Fund due from							Total
	General Fund	Major Street	Municipal Street	Motor Pool	Nonmajor Funds	Sewer Fund	Water Fund	
General Fund	\$ -	\$ 538	\$ -	\$ 538	\$ -	\$ 626	\$ 1,911	\$ 3,613
Motor Pool Fund	-	2,857	-	-	563	3,318	3,318	10,056
Major Street Fund	-	-	215,185	-	-	-	-	215,185
Municipal Street	424,599	-	-	-	-	-	-	424,599
Sewer Fund	1,345	-	-	11,800	-	-	-	13,145
Water Fund	1,235	-	-	-	-	-	-	1,235
Nonmajor Governmental Fund	55	-	17,869	-	-	-	-	17,924
Total	<u>\$ 427,234</u>	<u>\$ 3,395</u>	<u>\$ 233,054</u>	<u>\$ 12,338</u>	<u>\$ 563</u>	<u>\$ 3,944</u>	<u>\$ 5,229</u>	<u>\$ 685,757</u>

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The composition of interfund transfers for the year ended June 30, 2007 is as follows:

Primary Government

<u>Transfers out</u>	<u>Transfers in</u>					<u>Total</u>
	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Municipal Street Fund</u>	<u>Nonmajor Governmental Fund</u>	<u>Water Fund</u>	
General Fund	\$ -	\$ -	\$ 424,599	\$ 42,300	\$ -	\$ 466,899
Municipal Street Fund	-	215,185	-	17,869	-	233,054
Nonmajor Governmental Funds	-	-	-	42,270	-	42,270
Sewer Fund	5,150	-	-	-	15,450	20,600
Water Fund	5,150	-	-	-	-	5,150
Total	<u>\$ 10,300</u>	<u>\$ 215,185</u>	<u>\$ 424,599</u>	<u>\$ 102,439</u>	<u>\$ 15,450</u>	<u>\$ 767,973</u>

Component Unit

<u>Transfers out</u>	<u>Transfers in</u>
Downtown Development Authority	Downtown Development Authority
Authority General Fund	Debt Service Fund
	<u>\$ 68,853</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

E. Long-term Debt

General obligation bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities.

Purpose	Interest Rate	Amount
Governmental activities		
Series 2005 Capital Improvement Bonds	3.05-4.15%	\$ 2,219,692
Series 1990 Building Authority Bonds	6.8%-7.0%	155,000
Parking District #4 Bonds	4.4%-5.65%	100,000
Motor Pool Note	4.45%	127,662
		\$ 2,602,354

	Interest Rate	Amount
Business-type activities		
1996 Water Revenue Bonds, net of \$22,077 unamortized discount	5.2%-8.0%	\$ 1,106,817
1998 DWRP Bonds	Variable	1,240,000
		\$ 2,346,817

Component Unit	Interest Rate	Amount
Series 2005 Capital Improvement Bonds	3.05-4.15%	\$ 710,303

Annual debt service requirements to maturity for debt is as follows:

Governmental Activities	Principal	Interest
2008	\$ 206,598	\$ 102,911
2009	211,240	94,382
2010	224,701	85,434
2011	234,413	75,694
2012	194,165	67,058
2013-2017	894,871	369,767
2018-2020	636,366	53,349
	\$ 2,602,354	\$ 848,595

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

Business-type Activities

	Principal	Interest
2008	\$ 138,701	\$ 95,227
2009	143,701	90,189
2010	143,701	85,001
2011	143,701	79,789
2012	173,701	73,833
2013-2017	903,507	265,034
2018-2022	699,805	81,590
Total	\$ 2,346,817	\$ 770,663

Component Unit

	Principal	Interest
2008	\$ 42,424	\$ 26,388
2009	43,636	25,073
2010	46,061	23,699
2011	47,273	22,202
2012	48,485	20,618
2013-2017	278,788	75,072
2018-2020	203,636	17,071
	\$ 710,303	\$ 210,123

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2007, was as follows:

Governmental activities:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Series 2005 Capital Improvement Bonds	\$ 2,348,480	\$ -	\$ (128,788)	\$ 2,219,692	\$ 132,578
Series 1990 Authority Bonds	185,000	-	(30,000)	155,000	35,000
Parking District #4 Bonds	110,000	-	(10,000)	100,000	20,000
Motor Pool Note	145,881	-	(18,219)	127,662	19,020
Oxford Library Notes	10,000	-	(10,000)	-	-
Accrued compensated absences	44,444	42,318	(35,155)	51,607	-
Total governmental activities	\$ 2,843,805	\$ 42,318	\$ (232,162)	\$ 2,653,961	\$ 206,598

Business-type activities:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
1996 Water Revenue Bonds,	\$ 1,155,518	\$ -	\$ (48,701)	\$ 1,106,817	\$ 48,701
1998 DWRP Bonds	1,330,000	-	(90,000)	1,240,000	90,000
Accrued compensated absences	8,065	11,287	(11,527)	7,825	-
Total business-type activities	\$ 2,493,583	\$ 11,287	\$ (150,228)	\$ 2,354,642	\$ 138,701

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

Component Unit:

	Balance			Balance		Due Within
	June 30, 2006	Additions	Reductions	June 30, 2007	One Year	
Series 2005 Capital Improvement Bonds	\$ 751,515	\$ -	\$ (41,212)	\$ 710,303	\$ 42,420	
Accrued compensated absences	2,187	5,654	(5,391)	2,450	-	
Total component unit activities	\$ 753,702	\$ 5,654	\$ (46,603)	\$ 712,753	\$ 42,420	

For the governmental activities, compensated absences are generally liquidated by the general fund.

F. Segment Information – Enterprise Funds

The Water Fund and the Sewer Fund are individual funds that account entirely for the government’s water and wastewater activities. These funds are segments and are reported as major funds in the fund financial statements; therefore, segment disclosures herein are not required.

III. OTHER INFORMATION

A. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees and natural disasters. The Village carries commercial insurance to cover any potential claims associated with these risks and has had no claims that exceeded the insurance coverage during the past three years.

B. Property Taxes

The government’s property taxes are levied each July 1 on the taxable valuation of property located in the Village as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest if paid in full by August 31st. As of September 30, the unpaid property taxes are added to the Oakland County tax rolls. Assessed values, as established annually by the government and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. The taxable value of real and personal property in the Village for the 2006 levy, including industrial facilities was \$129,372,145. The government’s general operating tax rate for fiscal 2006-07 was 11.62 mills, a reduction of 1.5 mills from the previous year.

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

Property taxes for the Downtown Development Authority (the "Authority") are derived from tax increment financing agreements with the various applicable taxing authorities. Under these arrangements, the Authority receives the property taxes levied on the increment of current taxable values over the base year values on those properties located within the established tax increment financing district. The captured taxable value of the Authority was \$16,644,955 for the fiscal year 2006-07 net of the 1985 base year taxable value of \$5,551,175.

Property taxes are recognized in the fiscal year in which they are levied.

C. Contingent Liabilities

Grove/Knauf Property (NE Parking Lot)

The Village is in the process of purchasing a parking lot property by exercising their right of eminent domain. The condemnation action is to ensure free parking to promote the viability of the community interests in the downtown area. The new owner of the property, Knauf Family Properties, took over the case from the Nathan Grove Family, and continued disputing the government's original appraisal that values the land at \$170,000. The Village and the Downtown Development Authority equally recorded a restricted deposit for the full amount of the appraisal. Litigation is pending regarding the fair market value of the property in question. The Village prevailed in the Michigan Supreme Court after appealing two adverse rulings in the Trial Court and Court of Appeals. By consent order, as of July 11, 2007, the Village has full title to the property with payment of the \$170,000 original appraisal deposit (\$85,000 in the General Fund and \$85,000 in the DDA Component Unit) with the final value amount yet to be determined. The actual cost of the property to the Village is contingent upon the outcome of the legal action with the Village's updated appraisal at \$200,000 and an appraisal of upwards to \$1,500,000 submitted by Knauf Family Properties. A jury would ultimately decide the value. Upon the Court's decision on the value of the property, the Court may award an additional percentage of up to 1/3 of the property value in dispute in deciding such a claim under the statute over and above the \$170,000 if the Court finds the value exceeds that amount.

General

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

D. Joint Venture Dissolution

Oxford Public Fire and EMS Commission (OPFEC)

The Village is currently engaged in litigation brought against it by the Township of Oxford to dissolve the Oxford Public Fire and EMS Commission. This case has been referred by court order to binding arbitration. The Village is a member of the Oxford Public Fire and EMS Commission (the "Commission"), which previously provided fire and emergency services to the citizens of Oxford Township and the Village of Oxford, Michigan. The two member communities provided funding for its operations until January 1, 2006. As of January 1, 2006, Oxford Township provided fire services for the entire area with financing from two voted property tax millages (fire and advanced life support services) which were levied by the Township. During the year ended December 31, 2005, the last available audited financial statements, the Commission reported \$660,869 in total assets and \$146,454 in total liabilities, including \$467,217 in capital assets, net of accumulated depreciation. Complete financial statements for the Oxford Public Fire and EMS Commission can be obtained from the administrative offices at 96 N. Washington, P.O. Box 911, Oxford, Michigan 48371.

This is a complex matter for the determination of equities dating back to the 1970's and a balancing of equities between the Township of Oxford and the Village of Oxford in the jointly operated fire department presently under the Oxford Public Fire and EMS Commission. The Village has engaged expert services to put together the historical picture from financial and budget records involving the longstanding relationship and complex equities involved. The equity values, which the Village value is expected to be in excess of \$1,000,000 and a final determination is expected within a year. The expert witness fees and litigation costs will likely be substantial, but cannot be reasonably estimated at this time. It is expected that the Village will be in a better fiscal position as a result of this litigation.

E. Defined Benefit and Defined Contribution Pension Plans

Defined Benefit Plan Description

The Village's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Village participates in the Municipal Employees Retirement System of Michigan

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

(MERS), an agent multiple-employer plan operating and administered by the MERS Retirement Board. Public Act No. 220 of the Public Acts of 1996, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling 800-767-6377.

All full-time Village employees are eligible to participate in the MERS. MERS benefits vest after ten years of service. Village employees who retire at or after age 60 with ten years of credited service, age 55 with 15 years service or age 50 with 25 years of service, are entitled to an annual retirement benefit, payable monthly for life. This is the normal retirement benefit and is equal to 2.5% of the maximum 80% of final average compensation multiplied by the years of credited service. MERS also provides death and disability benefits. These benefits are established by state statute.

Funding Policy

The Village is required to contribute at an actuarially determined rate; the current rate is 13.13% and for FY '09 the rate will be 13.31% of annual covered payroll. Employees are currently not required to contribute to the Plan. The contribution requirements of the Village are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Village depending on the MERS contribution program adopted by the Village.

Annual Pension Cost

For the year ended June 30, 2007, the Village's annual pension cost of \$100,884 for MERS was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.40%% per year, depending on age, attributable to seniority/merit.

The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect market value. The Village's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

amortization period at December 31, 2006, the date of the latest available actuarial valuation, was 29 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2005	\$ 79,579	100	0
6/30/2006	\$ 91,632	100	0
6/30/2007	\$100,884	100	0

Defined Contribution Plan

Certain management positions (three) have opted out for a defined contribution pension benefit through ICMA Retirement Corporation. The contribution rates are based on individual employment contracts ranging from 5% to 12%.

The Village's total payment for the defined contribution for the fiscal year was \$10,801 including \$754 made by the component unit the Downtown Development Authority.

457 Deferred Compensation Plan

The Village offers a 457 deferred compensation plan through ICMARC that as of June 30, 2007 had a balance of \$237,000.

F. State Construction Code Act Compliance

Public Act 245 of 1999 amended the State Construction Act to require Michigan municipal government's to establish fees that bear a reasonable relationship to the cost of operating their building departments. The Village's fee structure is not intended to fully recover its costs, and accordingly, the operations of the Village's building department are accounted for in the General Fund.

VILLAGE OF OXFORD, MICHIGAN

Notes to Financial Statements

For the year ended June 30, 2007, the Village's revenue and expenditures related to its building department were as follows:

<u>Revenues</u>	
Building Permits	\$ 10,251
Electrical Permits	1,815
Heating Permits	3,490
Plumbing Permits	2,098
Other Revenue	221
Total Revenues	<u>\$ 17,875</u>
<u>Expenditures</u>	
Salaries and Wages	\$ 35,379
Benefits	1,104
Operating Supplies	361
Total Expenditures	<u>\$ 36,844</u>

G. Subsequent Events

Street and Parking Lot Construction Contracts Awarded

A construction contract for major and local street construction was awarded in the amount of \$703,000 financed primarily from the major, local and municipal street funds. Engineering costs bring the construction project total estimate to \$773,000. Contributions from the General Fund and Water fund were \$61,000 and \$28,000 respectively.

A construction contract from a parking lot improvement and street realignment was awarded in the amount of \$493,000 by the Downtown Development Authority. The related engineering and utility relocation costs bring the construction project total estimate to \$700,000. The project is being funded from existing reserves.

Water Pump House on Line

A third water pump house was put in service in August 2007 that as of year end was recorded as construction in progress in the Water Fund. The total project cost was \$250,000 funded from reserves of the Water Fund.

* * * * *

***REQUIRED SUPPLEMENTARY
INFORMATION***

VILLAGE OF OXFORD, MICHIGAN

Required Supplementary Information (Unaudited)

Defined Benefit Pension Plan

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Attained Age# (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio % (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a) / c)
12/31/00	\$ 1,041,306	\$ 1,350,075	\$ 308,769	77%	\$ 516,357	60%
12/31/01	1,144,348	1,529,706	385,358	75%	587,803	66%
12/31/02	1,205,872	1,604,630	398,758	75%	649,166	61%
12/31/03	1,331,981	1,895,927	563,946	70%	748,047	75%
12/31/04	1,448,204	1,896,803	448,599	76%	708,365	63%
12/31/05	1,574,122	2,134,330	560,208	74%	697,858	80%
12/31/06	1,665,829	2,298,592	632,753	72%	757,976	83%

***COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES***

VILLAGE OF OXFORD, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	<u>Special Revenue</u>		<u>Debt Service</u>		<u>Total</u>
	<u>Local Street</u>	<u>Building Authority</u>	<u>Municipal Debt Service</u>	<u>Parking District #4 Debt Service</u>	
Assets					
Cash and cash equivalents	\$ 26,563	\$ 7,311	\$ -	\$ 67,633	\$ 101,507
Receivables:					
Special assessments	-	-	-	43,702	43,702
Due from other governments	9,224	-	-	-	9,224
Due from other funds	17,924	-	-	-	17,924
Prepaid items	-	-	-	22,790	22,790
Total assets	<u>53,711</u>	<u>7,311</u>	<u>-</u>	<u>134,125</u>	<u>195,147</u>
Liabilities					
Accounts payable	1,909	-	-	-	1,909
Due to other funds	563	-	-	-	563
Deferred revenue	-	-	-	41,834	41,834
Total liabilities	<u>2,472</u>	<u>-</u>	<u>-</u>	<u>41,834</u>	<u>44,306</u>
Fund balances:					
Reserved for:					
Debt service	-	-	-	69,501	69,501
Prepaid items	-	-	-	22,790	22,790
Unreserved, undesignated	<u>51,239</u>	<u>7,311</u>	<u>-</u>	<u>-</u>	<u>58,550</u>
Total fund balances	<u>51,239</u>	<u>7,311</u>	<u>-</u>	<u>92,291</u>	<u>150,841</u>
Total liabilities and fund balance	<u>\$ 53,711</u>	<u>\$ 7,311</u>	<u>\$ -</u>	<u>\$ 134,125</u>	<u>\$ 195,147</u>

VILLAGE OF OXFORD, MICHIGAN
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Special Revenue		Debt Service		Total
	Local Street	Building Authority	Municipal Building Debt Service	Parking District #4 Debt Service	
Revenues					
Taxes and special assessments	\$ -	\$ -	\$ -	\$ 14,924	\$ 14,924
Intergovernmental					
State	56,986	-	-	-	56,986
Investment earnings	1,496	376	-	4,647	6,519
Total revenues	58,482	376	-	19,571	78,429
Expenditures					
Highways and street	63,533	-	-	-	63,533
Debt service:					
Principal	-	-	30,000	10,000	40,000
Interest and fiscal charges	-	-	12,270	6,674	18,944
Total expenditures	63,533	-	42,270	16,674	122,477
Revenues over (under) expenditures	(5,051)	376	(42,270)	2,897	(44,048)
Other financing sources (uses)					
Transfers in	17,869	42,300	42,270	-	102,439
Transfers out	-	(42,270)	-	-	(42,270)
Total other financing sources (uses)	17,869	30	42,270	-	60,169
Net change in fund balances	12,818	406	-	2,897	16,121
Fund balances, beginning of year	38,421	6,905	-	89,394	134,720
Fund balances, end of year	\$ 51,239	\$ 7,311	\$ -	\$ 92,291	\$ 150,841

VILLAGE OF OXFORD, MICHIGAN
Statement of Net Assets and Governmental Fund Balance Sheet
Downtown Development Authority
June 30, 2007

	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total	Adjustments	Statement of Net Assets
Assets						
Cash and cash equivalents	\$ 671,845	\$ 277,459	\$ 7,251	\$ 956,555	\$ -	\$ 956,555
Taxes receivable	22,939	-	-	22,939	-	22,939
Allowance for taxes receivable	(2,025)	-	-	(2,025)	-	(2,025)
Due from primary government	-	53,515	-	53,515	-	53,515
Prepaid items	603	-	-	603	-	603
Restricted asset-deposit on land	85,000	-	-	85,000	-	85,000
Non-depreciable capital assets	-	-	-	-	1,297,354	1,297,354
Capital assets being depreciated, net	-	-	-	-	46,380	46,380
Total assets	<u>\$ 778,362</u>	<u>\$ 330,974</u>	<u>\$ 7,251</u>	<u>\$ 1,116,587</u>	<u>\$ 1,343,734</u>	<u>2,460,321</u>
Liabilities						
Accounts payable	\$ 24,957	\$ -	\$ -	\$ 24,957	\$ -	\$ 24,957
Accrued liabilities	942	-	-	942	8,942	9,884
Deferred revenue	20,915	-	-	20,915	(20,915)	-
Due to primary government	26,329	-	-	26,329	-	26,329
Accrued compensation	-	-	-	-	2,450	2,450
Bonds payable	-	-	-	-	667,883	667,883
Bonds payable - current	-	-	-	-	42,420	42,420
Total Liabilities	73,143	-	-	73,143	700,780	773,923
Fund Balance						
Reserved	85,000	-	-	85,000	(85,000)	-
Unreserved:						
Undesignated	620,219	330,974	7,251	958,444	(958,444)	-
Total fund balance	705,219	330,974	7,251	1,043,444	(1,043,444)	-
Total liabilities and fund balance	<u>\$ 778,362</u>	<u>\$ 330,974</u>	<u>\$ 7,251</u>	<u>\$ 1,116,587</u>		
Net assets						
Invested in capital assets					633,431	633,431
Restricted					85,000	85,000
Unrestricted					967,967	967,967
Total net assets					<u>\$ 1,686,398</u>	<u>\$ 1,686,398</u>

VILLAGE OF OXFORD, MICHIGAN
Reconciliation of Governmental Fund Balance Sheet
to Statement of Net Assets
Downtown Development Authority
June 30, 2007

Fund balance - component unit	\$ 1,043,444
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Amounts reported for 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 in the funds.

Add: non-depreciable capital assets	1,297,354
Add: capital assets being depreciated, net	46,380

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add: deferred property taxes	20,915
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: long-term portion of bonds payable	(667,883)
Deduct: current portion of bonds payable	(42,420)
Deduct: accrued interest on bonds payable	(8,942)
Deduct: compensated absences	(2,450)

Net assets of component unit activities	<u>\$ 1,686,398</u>
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VILLAGE OF OXFORD, MICHIGAN

Statement of Activities and Revenues, Expenditures and Changes in Fund Balance Downtown Development Authority For the Year Ended June 30, 2007

	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>
Revenues			
Taxes	\$ 399,787	\$ -	\$ -
Interest	41,961	11,822	36
Miscellaneous	22,250	-	-
	<u>463,998</u>	<u>11,822</u>	<u>36</u>
Total revenues			
	<u>463,998</u>	<u>11,822</u>	<u>36</u>
Expenditures/expenses			
Community service	390,082	-	-
Principal payments	-	-	41,210
Interest on long-term debt	-	-	27,643
Capital outlay	121,537	19,012	-
Depreciation expense	-	-	-
	<u>511,619</u>	<u>19,012</u>	<u>68,853</u>
Total expenditures/expenses			
	<u>511,619</u>	<u>19,012</u>	<u>68,853</u>
Other financing sources (uses)			
Other revenue	830	-	-
Transfers in	-	-	68,853
Transfers out	(68,853)	-	-
	<u>(68,023)</u>	<u>-</u>	<u>68,853</u>
Total other financing sources (uses)			
	<u>(68,023)</u>	<u>-</u>	<u>68,853</u>
Net change in fund balances	(115,644)	(7,190)	36
Change in net assets	-	-	-
Fund balances/net assets, beginning of year	<u>820,863</u>	<u>338,164</u>	<u>7,215</u>
Fund balances/net assets, end of year	<u>\$ 705,219</u>	<u>\$ 330,974</u>	<u>\$ 7,251</u>

<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 399,787	\$ 9,288	\$ 409,075
53,819	-	53,819
22,250	-	22,250
<u>475,856</u>	<u>9,288</u>	<u>485,144</u>
390,082	942	391,024
41,210	(41,210)	-
27,643	6,761	34,404
140,549	(71,509)	69,040
-	3,780	3,780
<u>599,484</u>	<u>(101,236)</u>	<u>498,248</u>
830	-	830
68,853	-	68,853
<u>(68,853)</u>	<u>-</u>	<u>(68,853)</u>
<u>830</u>	<u>-</u>	<u>830</u>
(122,798)	122,798	-
-	(12,274)	(12,274)
<u>1,166,242</u>	<u>532,430</u>	<u>1,698,672</u>
<u>\$ 1,043,444</u>	<u>\$ 642,954</u>	<u>\$ 1,686,398</u>

VILLAGE OF OXFORD, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities
Downtown Development Authority
For the Year Ended June 30, 2007

Net change in fund balances - component unit	\$ (122,798)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay expenses	71,504
Less: depreciation expense	(3,780)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Add: current year deferred revenue on delinquent personal property tax	9,288
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds.

Add: principal payments on long-term liabilities	41,215
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Less: increase in the accrued interest payable on bonds	(6,761)
Less: increase in the accrual for compensated absences	(942)

Change in net assets of governmental activities	<u><u>\$ (12,274)</u></u>
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***REPORT ON INTERNAL CONTROL
AND COMPLIANCE***



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

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

December 18, 2007

To the Village Council
Village of Oxford, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *Village of Oxford, Michigan* as of and for the year ended June 30, 2007, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated December 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. 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. 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 combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, 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 deficiencies described below to be significant deficiencies in internal control over financial reporting.

Finding 2007-1 – Preparation of Financial Statements in Accordance with GAAP

- Criteria:** All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)
- Condition:** As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements, fund financial statements, and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.
- Cause:** This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.
- Effect:** As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.
- View of Responsible Officials:** The Village has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Finding 2007-2 – Audit Adjustments

- Criteria:** Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).
- Condition:** During our audit, we identified and proposed numerous adjustments (which were approved and posted by management) to adjust the Village's general ledger to the appropriate balances. These adjustments were in the areas of fund balance, utility receivables and capital assets.
- Cause:** The Village has historically relied on its independent external auditors to assist with the process of making necessary year end adjustments to present its financial statements in accordance with GAAP.
- Effect:** As a result of this condition, the Village's accounting records were initially misstated by amounts material to the financial statements.
- View of Responsible Officials:** The Village will review the accounting adjustments that were necessary in order for the financial statements to be in accordance with GAAP and plan accordingly to reduce these for subsequent year audits.

Finding 2007-3 – Segregation of Incompatible Duties

- Criteria:** Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the Village's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the government's unique circumstances.
- Condition:** As is the case with many organizations of similar size, the Village lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. These include an individual authorized to setup vendors and process accounts payable, setup new employees and process payroll information, and initiate manual journal entries and post them. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.
- Cause:** This condition is a result of the Village's limited resources, and the small size of its accounting staff.
- Effect:** As a result of this condition, the Village is exposed to an increased risk that misstatements or misappropriations might occur and not be detected by management in a timely basis.
- View of Responsible Officials:** The Village understands the increased risk due to the inherent lack of segregation of duties and has concluded that the cost of implementing the segregation of duties does not warrant the benefit of the lower risk obtained. However, management will maintain a heightened awareness and continually review the mitigating controls over these areas.

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 entity's internal control.

Our consideration of the 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not consider the significant deficiency above to be a material weakness.

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, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Village in a separate letter dated December 18, 2007.

We did not audit the Village's responses and, accordingly, we express no opinion on them.

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

A handwritten signature in black ink that reads "Rehmann Lohman". The signature is written in a cursive, flowing style.