

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF GARDEN	County DELTA
Fiscal Year End 2/28/07	Opinion Date 2/1/08	Date Audit Report Submitted to State 2/19/08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

YES NO

Check each applicable box below. (See instructions for further detail.)

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	
Other (Describe)	<input checked="" type="checkbox"/>	REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
Certified Public Accountant (Firm Name) SCHNEIDER, LARCHE, HAAPALA & CO., PLLC	Telephone Number 906-786-6151	
Street Address 401 LUDINGTON STREET	City ESCANABA	State MI
		Zip 49829
Authorizing CPA Signature <i>Karen L. Meiers CPA</i>	Printed Name KAREN L. MEIERS	License Number 1101015357

FINANCIAL STATEMENTS

VILLAGE OF GARDEN

For the year ended February 28, 2007

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VILLAGE OF GARDEN

February 28, 2007

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February 28, 2007

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*Schneider, Larche,
Haapala & Co., PLLC*

CERTIFIED PUBLIC ACCOUNTANTS
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February 1, 2008

Village Council
Village of Garden
Delta County, Michigan

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Village of Garden as of and for the year ended February 28, 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'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, and each major fund of the Village of Garden as of February 28, 2007, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2008, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provision 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 and budgetary comparison information on pages 3 through 6 and 26 through 27 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village's basic financial statements. The accompanying other supplementary information, as listed in the accompanying table of contents, is presented for the purpose of additional analysis and is 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.

Schneider, Larche, Harpala & Company, PLLC

Certified Public Accountants

VILLAGE OF GARDEN

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 28, 2007

This discussion and analysis of the Village's financial position and activities is presented as of and for the year ended February 28, 2007. The information presented should be read in conjunction with the Village's financial statements that follow.

The discussion and analysis is intended to assist the readers understanding of the financial statements by highlighting summarized financial data, activities, trends and other related information.

ANNUAL REPORT

The Village's annual report consists of three main financial information components as follows:

- Basic financial statements
- Required supplemental information
- Other supplemental information

Basic Financial Statements - The basic financial statements present government - wide financial statements that provide information about the Village's financial condition and activities as a whole. The government - wide financial statements provide data relating to the long-term nature of the Village's operations by reporting all Village assets and liabilities that will provide or require financial resources in the future and the Village's investment in property and equipment.

In addition, the basic financial statements present fund financial statements that provide information about the significant individual funds of the Village. The basic financial statements also include footnote disclosures necessary to provide additional information regarding the basic financial statements and other significant issues regarding the Village's financial position and activity.

Required Supplemental Information - Required supplemental information is not a part of the basic financial statements but is an important part of the annual report. The primary financial information contained herein is budgetary information of the Village's General Fund and other major special revenue funds.

Other Supplemental Information - Other supplemental information provides additional financial information regarding budgetary information not included as required supplemental information.

VILLAGE OF GARDEN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
February 28, 2007

FINANCIAL HIGHLIGHTS

Financial highlights discussed below include the following items:

- Government-wide financial information
- Governmental funds financial information
- Business-type funds financial information
- Other information

Government - Wide Financial Information - The following is a summary of the net assets of the Village as a whole for the year ended February 28, 2007:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Cash	\$ 4,730	\$ 1,791	\$ 6,521
Receivables	15,704	3,189	18,893
Internal Balances	<u>(46,107)</u>	<u>46,107</u>	<u>-</u>
Total noncapital assets	\$ (25,673)	\$ 51,087	\$ 25,414
Capital assets, net	<u>103,773</u>	<u>1,011,183</u>	<u>1,114,956</u>
Total assets	\$ <u>78,100</u>	\$ <u>1,062,270</u>	\$ <u>1,140,370</u>
Current liabilities and deferred revenues	\$ 40,625	\$ 14,931	\$ 55,556
Long-term debt	<u>56,922</u>	<u>169,500</u>	<u>226,422</u>
Total liabilities	\$ <u>97,547</u>	\$ <u>184,431</u>	\$ <u>281,978</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 25,127	\$ 838,683	\$ 863,810
Restricted net assets	-	1,791	1,791
Unrestricted net assets	<u>(44,574)</u>	<u>37,365</u>	<u>(7,209)</u>
Total Net Assets	\$ <u>(19,447)</u>	\$ <u>877,839</u>	\$ <u>858,392</u>

VILLAGE OF GARDEN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

February 28, 2007

Government - Wide Financial Information (Continued)

Significant revenues and expenditures on a government-wide basis are as follows for the year ended February 28, 2007:

Revenues:	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
Program:		<u>%</u>		<u>%</u>
Charges for services	\$ 9,167	10	\$ 37,235	100
Grants and contributions	22,227	24	-	-
General:				
Taxes	23,912	25	-	-
State shared revenue	21,559	23	-	-
Other	9,998	11	8	-
Special items	<u>7,051</u>	<u>7</u>	<u>-</u>	<u>-</u>
 Total	 \$ 93,914	 <u>100</u>	 \$ 37,243	 <u>100</u>
 Expenditures:				
Legislative	\$ 2,656	3	-	-
General government	59,686	57	-	-
Public works	22,416	22	-	-
Recreation and culture	2,040	2	-	-
Interest expense	3,523	3	-	-
Unallocated depreciation	13,646	13	-	-
Water	<u>-</u>	<u>-</u>	<u>81,547</u>	<u>100</u>
 Total	 \$ <u>103,967</u>	 <u>100</u>	 \$ <u>81,547</u>	 <u>100</u>
 Change in Net Assets	 \$ <u>(10,053)</u>		 \$ <u>(44,304)</u>	

Governmental Funds Financial Information - As discussed in the basic financial statements, the basis of presentation and the basis of accounting used in preparing the government-wide and governmental funds financial statements are different. Accordingly, the governmental funds information that follows will differ from the government-wide information presented above.

The fund balances of the governmental funds of the Village decreased by \$20,489.

Cash balances of the governmental funds decreased by \$1,338 to \$4,730.

VILLAGE OF GARDEN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) February 28, 2007

Revenues and expenditures for the year ended February 28, 2007 are as follows:

	<u>2007</u>
Total Revenues	
General fund	\$ 73,687
Other funds	47,047
Total Expenditures	
General fund	91,252
Other funds	<u>49,971</u>
Change in fund balances	\$ <u>(20,489)</u>

The Village prepares and adopts budgets on a cash basis. For the year ended February 28, 2007, in the General Fund, actual revenues were \$77,927 and budgeted revenues were \$57,000 for a variance of \$20,927. This variance was primarily due to not budgeting equipment rental and insurance proceeds received. Actual expenditures were \$86,640 and budgeted expenditures were \$136,299 for a variance of \$49,659. This variance was primarily due to over budgeting for insurance and the village hall. The actual and budgeted revenues and expenses were comparable for the Major Street Fund. Actual and budgeted revenues and expenditures in the Local Street Fund varied by \$26,820, respectively due to note payable proceeds and capital outlay expenditures which had not been included in the budget.

Other Information

Debt Service - In the General Fund the Village made principal payments on long-term debt totaling \$12,811. In the Local Street fund the Village made principal payments on long-term debt of \$4,120. Total outstanding debt as of February 28, 2007 was \$78,646. The principal and interest debt service requirement for the next fiscal year is \$24,831.

In the Water System Fund, the Village made principal payments of \$3,000. Total outstanding debt as of February 28, 2007 was \$172,500. The principal and interest debt service requirement for the next fiscal year is \$11,625.

Capital Outlay - In the governmental activities funds, the Village purchased equipment and made improvements and street improvements totaling \$33,971 during the year. The Village's total investment in property and equipment totaled \$226,722 as of February 28, 2007.

The Village's total investment in the Water System, property and equipment totaled \$1,570,634.

Contacting the Village's Management

This financial report is designed to give an overview of the financial condition of the Village of Garden. If you have questions or need additional information, it can be obtained by contacting the Village President.

VILLAGE OF GARDEN

STATEMENT OF NET ASSETS

February 28, 2007

ASSETS

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current Assets:			
Cash	\$ 4,730	\$ -	\$ 4,730
Due from other governmental units	7,394	-	7,394
Other receivables	8,310	3,189	11,499
Internal balances	<u>(46,107)</u>	<u>46,107</u>	<u>-</u>
TOTAL CURRENT ASSETS	\$ <u>(25,673)</u>	\$ <u>49,296</u>	\$ <u>23,623</u>
Restricted Assets-Cash	\$ <u>-</u>	\$ <u>1,791</u>	\$ <u>1,791</u>
Capital Assets:			
Buildings, land and improvements	\$ 43,488	\$ 12,455	\$ 55,943
Water system	-	1,525,287	1,525,287
Streets	26,820	-	26,820
Equipment	109,935	15,581	125,516
Vehicles	46,479	17,311	63,790
Less: accumulated depreciation	<u>(122,949)</u>	<u>(559,451)</u>	<u>(682,400)</u>
NET CAPITAL ASSETS	\$ <u>103,773</u>	\$ <u>1,011,183</u>	\$ <u>1,114,956</u>
TOTAL ASSETS	\$ <u><u>78,100</u></u>	\$ <u><u>1,062,270</u></u>	\$ <u><u>1,140,370</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:			
Accounts payable	\$ 9,515	\$ 7,654	\$ 17,169
Other accrued liabilities	1,102	-	1,102
Accrued interest on long-term debt	-	4,277	4,277
Deferred revenues	8,284	-	8,284
Current portion of long-term obligations	<u>21,724</u>	<u>3,000</u>	<u>24,724</u>
TOTAL CURRENT LIABILITIES	\$ <u>40,625</u>	\$ <u>14,931</u>	\$ <u>55,556</u>
Noncurrent Liabilities:			
Notes payable	\$ 56,922	\$ -	\$ 56,922
Revenue bonds payable	<u>-</u>	<u>169,500</u>	<u>169,500</u>
TOTAL NONCURRENT LIABILITIES	\$ <u>56,922</u>	\$ <u>169,500</u>	\$ <u>226,422</u>
TOTAL LIABILITIES	\$ <u>97,547</u>	\$ <u>184,431</u>	\$ <u>281,978</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 25,127	\$ 838,683	\$ 863,810
Restricted	-	1,791	1,791
Unrestricted (deficit)	<u>(44,574)</u>	<u>37,365</u>	<u>(7,209)</u>
TOTAL NET ASSETS	\$ <u>(19,447)</u>	\$ <u>877,839</u>	\$ <u>858,392</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>78,100</u></u>	\$ <u><u>1,062,270</u></u>	\$ <u><u>1,140,370</u></u>

See notes to financial statements.

VILLAGE OF GARDEN

STATEMENT OF ACTIVITIES

For the year ended February 28, 2007

Functions/Programs	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activites	Total
Governmental Activities:						
Legislative	\$ 2,656	\$ -	\$ -	\$ (2,656)		\$ (2,656)
General government	59,686	9,167	-	(50,519)		(50,519)
Public works	22,416	-	20,227	(2,189)		(2,189)
Recreation and culture	2,040	-	2,000	(40)		(40)
Interest on long-term debt	3,523	-	-	(3,523)		(3,523)
Unallocated depreciation	13,646	-	-	(13,646)		(13,646)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 103,967	\$ 9,167	\$ 22,227	\$ (72,573)		\$ (72,573)
Business-type Activities:						
Water	\$ 81,547	\$ 37,235	\$ -		\$ (44,312)	\$ (44,312)
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 81,547	\$ 37,235	\$ -		\$ (44,312)	\$ (44,312)
General Revenues:						
Property taxes				\$ 23,912	\$ -	\$ 23,912
State shared revenues				21,559	-	21,559
Other - local				9,998	8	10,006
Special Items: Insurance proceeds				7,051	-	7,051
TOTAL GENERAL REVENUES AND SPECIAL ITEMS				\$ 62,520	\$ 8	\$ 62,528
Change in net assets				\$ (10,053)	\$ (44,304)	\$ (54,357)
Net assets - March 1, 2006				(9,394)	922,143	912,749
Net assets - February 28, 2007				<u>\$ (19,447)</u>	<u>\$ 877,839</u>	<u>\$ 858,392</u>

See notes to financial statements.

VILLAGE OF GARDEN

BALANCE SHEET
GOVERNMENTAL FUNDS

February 28, 2007

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ 2,343	\$ 2,350	\$ 37	\$ 4,730
Accounts receivable	672	-	-	672
Taxes receivable	7,638	-	-	7,638
Due from other governmental units	3,609	2,584	1,201	7,394
Due from other funds	<u>8,506</u>	<u>23,677</u>	<u>-</u>	<u>32,183</u>
TOTAL ASSETS	\$ <u>22,768</u>	\$ <u>28,611</u>	\$ <u>1,238</u>	\$ <u>52,617</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES:</u>				
Due to other funds	\$ 68,113	\$ -	\$ 10,177	\$ 78,290
Accounts payable	9,515	-	-	9,515
Other accrued liabilities	1,102	-	-	1,102
Deferred revenues	<u>8,284</u>	<u>-</u>	<u>-</u>	<u>8,284</u>
TOTAL LIABILITIES	\$ <u>87,014</u>	\$ <u>-</u>	\$ <u>10,177</u>	\$ <u>97,191</u>
<u>FUND BALANCE:</u>				
Reserved	\$ -	\$ -	\$ -	\$ -
Designated	-	-	-	-
Unreserved and undesignated	<u>(64,246)</u>	<u>28,611</u>	<u>(8,939)</u>	<u>(44,574)</u>
TOTAL FUND BALANCE	\$ <u>(64,246)</u>	\$ <u>28,611</u>	\$ <u>(8,939)</u>	\$ <u>(44,574)</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>22,768</u>	\$ <u>28,611</u>	\$ <u>1,238</u>	\$ <u>52,617</u>

See notes to financial statements.

VILLAGE OF GARDEN

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**

February 28, 2007

Total fund balances-governmental funds \$ (44,574)

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

Cost of net assets	\$ 226,722	
Accumulated depreciation	<u>(122,949)</u>	103,773

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Notes payable	<u>(78,646)</u>
---------------	-----------------

Total net assets-governmental activities \$ (19,447)

See notes to financial statements.

VILLAGE OF GARDEN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

GOVERNMENTAL FUNDS

For the year ended February 28, 2007

	General Fund	Major Street Fund	Local Street Fund	Total
<u>REVENUES</u>				
Taxes	\$ 23,912	\$ -	\$ -	\$ 23,912
State sources	21,559	13,576	6,651	41,786
Charges for services	9,167	-	-	9,167
Interest and rentals	7,526	-	-	7,526
Other	11,523	-	-	11,523
TOTAL REVENUES	<u>\$ 73,687</u>	<u>\$ 13,576</u>	<u>\$ 6,651</u>	<u>\$ 93,914</u>
<u>EXPENDITURES</u>				
Legislative	\$ 2,656	\$ -	\$ -	\$ 2,656
General government	59,686	-	-	59,686
Public works	4,146	11,480	6,790	22,416
Recreation and culture	2,040	-	-	2,040
Debt service	15,573	-	4,881	20,454
Capital outlay	7,151	-	26,820	33,971
TOTAL EXPENDITURES	<u>\$ 91,252</u>	<u>\$ 11,480</u>	<u>\$ 38,491</u>	<u>\$ 141,223</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (17,565)	\$ 2,096	\$ (31,840)	\$ (47,309)
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from notes payable	<u>-</u>	<u>-</u>	<u>26,820</u>	<u>26,820</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (17,565)	\$ 2,096	\$ (5,020)	\$ (20,489)
Fund Balance, March 1	<u>(46,681)</u>	<u>26,515</u>	<u>(3,919)</u>	<u>(24,085)</u>
FUND BALANCE, FEBRUARY 28	<u>\$ (64,246)</u>	<u>\$ 28,611</u>	<u>\$ (8,939)</u>	<u>\$ (44,574)</u>

See notes to financial statements.

VILLAGE OF GARDEN

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

For the year ended February 28, 2007

Total net change in fund balance-governmental funds \$ (20,489)

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 as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	\$ 33,971	
Depreciation	<u>13,646</u>	20,325

Governmental funds report the issuance of long-term debt as an other financing source and the repayment of the principal on long-term debt as an expenditure, while the statement of activities does not.

Issuance of notes payable in the current period	\$ (26,820)	
Principal payments on notes payable in the current period	<u>16,931</u>	<u>(9,889)</u>

Change in net assets of Governmental Activities \$ (10,053)

See notes to financial statements.

VILLAGE OF GARDEN

STATEMENT OF NET ASSETS
BUSINESS-TYPE FUNDS

February 28, 2007

	Water System Fund	Total
<u>ASSETS</u>		
Current Assets:		
Accounts receivable	\$ 3,189	\$ 3,189
	<u>3,189</u>	<u>3,189</u>
TOTAL CURRENT ASSETS	\$ 3,189	\$ 3,189
Other Assets:		
Due from other funds	\$ 63,236	\$ 63,236
	<u>63,236</u>	<u>63,236</u>
Restricted Assets-cash	\$ 1,791	\$ 1,791
	<u>1,791</u>	<u>1,791</u>
Land	\$ 12,455	\$ 12,455
Water system	1,525,287	1,525,287
Vehicles	17,311	17,311
Equipment	15,581	15,581
Less: accumulated depreciation	<u>(559,451)</u>	<u>(559,451)</u>
	\$ 1,011,183	\$ 1,011,183
	<u>1,011,183</u>	<u>1,011,183</u>
TOTAL ASSETS	\$ 1,079,399	\$ 1,079,399
	<u>1,079,399</u>	<u>1,079,399</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	\$ 7,654	\$ 7,654
Interest payable	4,277	4,277
Due to other funds	17,129	17,129
Current portion of long-term obligations	<u>3,000</u>	<u>3,000</u>
	\$ 32,060	\$ 32,060
	<u>32,060</u>	<u>32,060</u>
TOTAL CURRENT LIABILITIES	\$ 32,060	\$ 32,060
Long-term obligations:		
Revenue bonds payable	<u>169,500</u>	<u>169,500</u>
	\$ 201,560	\$ 201,560
	<u>201,560</u>	<u>201,560</u>
TOTAL LIABILITIES	\$ 201,560	\$ 201,560
<u>NET ASSETS</u>		
Invested in capital assets-net of related debt	\$ 838,683	\$ 838,683
Restricted for debt service	1,791	1,791
Unrestricted	<u>37,365</u>	<u>37,365</u>
	\$ 877,839	\$ 877,839
	<u>877,839</u>	<u>877,839</u>
TOTAL NET ASSETS	\$ 877,839	\$ 877,839

See notes to financial statements

VILLAGE OF GARDEN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUSINESS -TYPE FUNDS

For the year ended February 28, 2007

	<u>Water System Fund</u>	<u>Total</u>
Operating Revenues:		
Customer charges	\$ 37,235	\$ 37,235
TOTAL OPERATING REVENUES	\$ 37,235	\$ 37,235
Operating Expenses:		
Wages	\$ 8,175	\$ 8,175
Contract labor	665	665
Operating supplies	3,573	3,573
Insurance	6,677	6,677
Utilities	5,836	5,836
Repairs	3,077	3,077
Audit	5,325	5,325
Miscellaneous	547	547
Depreciation	39,046	39,046
TOTAL OPERATING EXPENSES	\$ 72,921	\$ 72,921
Operating Income (Loss)	\$ (35,686)	\$ (35,686)
Nonoperating Revenues (Expenses)		
Interest income	8	8
Interest expense	(8,626)	(8,626)
NET INCOME (LOSS)	\$ (44,304)	\$ (44,304)
Net assets , March 1	<u>922,143</u>	<u>922,143</u>
Net assets , February 28	<u><u>\$ 877,839</u></u>	<u><u>\$ 877,839</u></u>

See notes to financial statements

VILLAGE OF GARDEN

STATEMENT OF CASH FLOWS
BUSINESS-TYPE FUNDS

For the year ended February 28, 2007

	Water System Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 38,643	\$ 38,643
Payments to suppliers	(23,476)	(23,476)
Payments to employees	(14,741)	(14,741)
	<u>426</u>	<u>426</u>
NET CASH FROM OPERATING ACTIVITIES	\$ 426	\$ 426
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Principal paid on revenue bonds	\$ (3,000)	\$ (3,000)
Interest paid on revenue bonds	(8,700)	(8,700)
	<u>(11,700)</u>	<u>(11,700)</u>
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (11,700)	\$ (11,700)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	\$ 8	\$ 8
	<u>8</u>	<u>8</u>
NET CASH FROM INVESTING ACTIVITIES	\$ 8	\$ 8
NET INCREASE (DECREASE) IN CASH	\$ (11,266)	(11,266)
Cash, March 1	<u>13,057</u>	<u>13,057</u>
Cash, February 28	<u>1,791</u>	<u>1,791</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (35,686)	\$ (35,686)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	39,046	39,046
Change in assets and liabilities:		
Accounts receivable	3,841	3,841
Due from other funds	(11,407)	(11,407)
Accounts payable	4,632	4,632
	<u>426</u>	<u>426</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 426	\$ 426

See notes to financial statements

VILLAGE OF GARDEN

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Garden have been prepared in accordance with generally accepted accounting principles in the United States of America as applicable to governmental entities. A summary of the significant accounting policies followed in the preparation of the financial statements are presented below.

A) Reporting Entity - The Village of Garden's financial statements present the Village as the primary government. The Village does not have any component units.

B) Basic Financial Statements - The Village's basic financial statements are comprised of the following four components:

- 1) Government-wide financial statements
 - 2) Governmental funds financial statements
 - 3) Business-type funds financial statements
 - 4) Notes to the financial statements
- 1) Government-wide financial statements report information on all of the nonfiduciary activities of the Village. The effect of interfund activity has generally been removed from these statements. Governmental activities normally supported by taxes and intergovernmental revenues are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The Statement of Net Assets displays the assets, liabilities and net assets of the Village as a whole. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Program revenues include user fees and grants and contributions restricted for specific operational or capital acquisition purposes. Taxes, unrestricted state grants and other revenues not properly reported as program revenues are reported as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

VILLAGE OF GARDEN

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 2) Governmental funds financial statements report on the individual governmental funds of the Village. Major governmental funds are reported on separately.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Significant revenue sources meeting the availability criteria include state shared revenues. Various receivables collected after the period of availability would be recorded as deferred revenues.

Expenditures generally are recorded when a liability is incurred. Expenditures not normally paid from currently available resources are recorded when payment is due. Examples of expenditures recorded when due would include debt service expenditures, expenditures relating to compensated absences, and claims and judgments.

The individual governmental funds are each considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Village's governmental funds can be classified into two specific fund types. The specific fund types, purposes and the actual funds maintained by the Village, are as follows:

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources and transactions not properly or legally accounted for in another of the Village's funds.

Special Revenue Funds - The Village's special revenue funds are used to account for proceeds of specific revenue sources or to finance specific activities as required by law or administration regulations. The following special revenue funds are maintained by the Village:

Major Funds:

- Major Street Fund
- Local Street Fund

VILLAGE OF GARDEN

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 3) Business-type funds financial statements report proprietary funds that include enterprise funds. The Village's only enterprise fund is its Water System Fund. The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 proprietary fund relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, depreciation on capital assets and debt costs associated with financing upgrades to the water system. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

- 4) Notes to the financial statements provide information to the reader that is considered critical to the readers understanding of the financial statements and the Village's financial position and activities. The disclosures provide information that generally cannot be determined by a reading of the other sections of the financial statements.

C) Budgets - The Village prepares and adopts budgets on a cash basis. Unexpended appropriations lapse at the end of the fiscal year. The Village's general fund expenditure budget is adopted at the activity level. The Village also adopts special revenue fund budgets, which adopt expenditures at the account level. The Village President is responsible for the preparation and monitoring of the budget. The Village Council is responsible for the approval of the original budgets and any subsequent amendments.

D) Cash - For purposes of the Statement of Cash Flows cash includes restricted cash in the Water System Fund.

VILLAGE OF GARDEN

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Restricted Assets - Certain bond ordinances require that the Water System fund establish and maintain prescribed cash revenues that can be used only to service outstanding debt and for maintenance, renewal, and replacement.

F) Accounts Receivable - Property taxes and other accounts receivable are shown net of any allowance for amounts that the Village believes will be uncollectible. Amounts due from other governments represent accounts receivable from state governments.

G) Capital Assets - Capital assets, which include property, plant, equipment and infrastructure assets, (i.e. streets and bridges) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Village has elected not to retroactively record the value of infrastructure assets.

Capital assets are depreciated using the straight-line method over the following useful lives:

• Water system	40 years
• Buildings and Improvements	10 to 30 years
• Streets	40 years
• Vehicles	5 to 7 years
• Equipment	5 to 15 years

Capital assets are recorded as an asset and depreciated for the government-wide financial statements and proprietary fund statements but are not recorded in the governmental fund financial statements. The acquisition of capital assets are reported as an expenditure in the governmental fund financial statements when acquired.

H) Deferred Revenues - Deferred revenues have met the asset recognition criteria but have not met the revenue recognition criteria. Deferred revenues include accounts receivable not received within the availability period of 60 days.

I) Noncurrent Liabilities - Noncurrent liabilities are reported in the government-wide financial statements but are not reported in the governmental funds financial statements. Proceeds from noncurrent liabilities and payments on those liabilities are recorded as other financing sources and debt service expenditures, respectively, in the governmental funds financial statements.

VILLAGE OF GARDEN

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) Net Asset Classifications - In the Government-wide financial statements, equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets - consists of net assets with constraints on their use that are externally imposed (by creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - all other net assets that do not meet the definition of either of the other two components.

K) Fund Balances - In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation. Designations of fund balance represent tentative management plans that are subject to change.

L) Property Taxes - The Village's annual property tax on real and personal property within the Village is levied on July 1, and is based on taxable valuation of property as of the preceding December 31.

Taxes are generally payable by September 15. Unpaid real property taxes as of February 28 are turned over to the County Treasurer for collection. The County maintains a tax revolving fund which permits the County to pay 100% of the delinquent real taxes within approximately 90 days of their delivery to the County.

The Village generally recognizes property taxes as revenue in the year the taxes are levied. Property taxes not meeting the availability criteria are recorded as deferred revenue in the governmental fund financial statements.

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

VILLAGE OF GARDEN

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Bond Ordinances - Ordinance 7 provides for reserves to be accumulated out of the Water System revenues. At February 28, 2007 the Village was not in compliance with all reserve requirements. The required and actual reserve balances as of February 28, 2007 are as follows:

	<u>Required Balance</u>	<u>Actual Balance</u>
Operation and Maintenance Fund:		
Reasonable and necessary expenses for the ensuing quarter	\$ 10,625	\$ 1,791
Bond and Interest Redemption Fund	2,869	54
Bond Reserve Account	12,000	-

Deficit Fund Balances - At February 28, 2007 the following funds had deficit fund balances:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 64,246
Local Street Fund	8,939

NOTE 3 - CASH DEPOSITS

Cash deposits consist of checking and savings accounts and are recorded at cost. At February 28, 2007, the carrying amount of the Village's cash deposits was \$6,521 and the bank balance was \$4,335 which was fully covered by federal deposit insurance.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a financial institution failure, the Village's deposits will be not be recovered. The Village does not have a custodial risk policy.

Concentration of Credit Risk – Concentration of credit risk is the risk that relates to the amount of investment in any one-type of investment. The Village does not have a concentration of credit risk policy.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Village does not have an interest rate risk policy.

Credit Risk - Michigan compiled laws authorize and limit deposits and investments to federally insured financial institutions with offices in the State of Michigan, direct obligations of the United States, certain obligations of the State of Michigan or its' political subdivisions, specific investment grade short-term commercial paper, bankers acceptances of United States banks and mutual funds investing in authorized investment types.

VILLAGE OF GARDEN

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE 4 - CAPITAL ASSETS

The following summarizes capital asset activity for the year ended February 28, 2007:

	Balance March 1, <u>2006</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance February 28, <u>2007</u>
Governmental Activities:				
Capital assets:				
Buildings and improvements	\$ 37,737	\$ 5,751	\$ -	\$ 43,488
Streets	-	26,820	-	26,820
Vehicles	46,479	-	-	46,479
Equipment	<u>108,535</u>	<u>1,400</u>	-	<u>109,935</u>
TOTAL CAPITAL ASSETS	\$ <u>192,751</u>	\$ <u>33,971</u>	\$ _____	\$ <u>226,722</u>
Less accumulated depreciation for:				
Buildings and improvements	\$ 37,737	\$ 256	\$ -	\$ 37,993
Streets	-	391	-	391
Vehicles	25,451	5,485	-	30,936
Equipment	<u>46,115</u>	<u>7,514</u>	-	<u>53,629</u>
TOTAL ACCUMULATED DEPRECIATION	\$ <u>109,303</u>	\$ <u>13,646</u>	\$ _____	\$ <u>122,949</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS NET	\$ <u>83,448</u>	\$ <u>20,325</u>	\$ _____	\$ <u>103,773</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 12,455	\$ -	\$ -	\$ 12,455
Other capital assets:				
Water systems	1,525,287	-	-	1,525,287
Vehicles	17,311	-	-	17,311
Equipment	<u>15,581</u>	-	-	<u>15,581</u>
TOTAL CAPITAL ASSETS	\$ <u>1,570,634</u>	\$ _____	\$ _____	\$ <u>1,570,634</u>
Less accumulated depreciation for:				
Water systems	\$ 496,268	\$ 38,132	\$ -	\$ 534,400
Vehicles	17,311	-	-	17,311
Equipment	<u>6,826</u>	<u>914</u>	-	<u>7,740</u>
TOTAL ACCUMULATED DEPRECIATION	\$ <u>520,405</u>	\$ <u>39,046</u>	\$ _____	\$ <u>559,451</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS NET	\$ <u>1,050,229</u>	\$ <u>(39,046)</u>	\$ _____	\$ <u>1,011,183</u>

VILLAGE OF GARDEN

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE 4 - CAPITAL ASSETS (Continued)

For the year ended February 28, 2007, depreciation expense in the amount of \$13,646 for governmental activities was unallocated in the Statement of Activities. The Village determined that it was impracticable to allocate depreciation on the buildings, vehicles, and equipment as they service multiple functions.

Depreciation expense in the amount of \$39,046 for business-type activities was reflected in the Water System Fund.

NOTE 5 - NONCURRENT LIABILITIES

Noncurrent liabilities in the government-wide financial statements are segregated between amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. They consist of installment notes payable and revenue bonds. A summary of changes in these long-term debt amounts is as follows for the year ended February 28, 2007:

	Balance March 1, <u>2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance February 28, <u>2007</u>
Governmental Activities:				
Installment note payable	\$ 19,365	\$ -	\$ 4,777	\$ 14,588
Installment note payable	48,652	-	7,294	41,358
Installment note payable	740	-	740	-
Installment note payable	<u>-</u>	<u>26,820</u>	<u>4,120</u>	<u>22,700</u>
 TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM DEBT	 <u>\$ 68,757</u>	 <u>\$ 26,820</u>	 <u>\$ 16,931</u>	 <u>\$ 78,646</u>
 Business-type Activities:				
Revenue bonds payable	\$ <u>175,500</u>	\$ _____	\$ <u>3,000</u>	\$ <u>172,500</u>
 TOTAL BUSINESS-TYPE ACTIVITIES LONG-TERM DEBT	 <u>\$ 175,500</u>	 <u>\$ _____</u>	 <u>\$ 3,000</u>	 <u>\$ 172,500</u>

VILLAGE OF GARDEN

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE 5 - NONCURRENT LIABILITIES (Continued)

The installment notes payable are payable to a bank, secured by vehicles and equipment, and the full faith and credit of the Village. They carry interest rates ranging from 3.85 to 5.49 percent and require monthly payments of \$478, \$778 and \$813. The following summarizes the debt service requirements for the next five years for the notes payable, which includes \$6,980 of interest payments.

Year ended February 28,	
2008	\$ 24,831
2009	24,831
2010	18,072
2011	9,334
2012	<u>8,558</u>
	TOTAL \$ <u>85,626</u>

The revenue bonds payable outstanding as of February 28, 2007, consists of the Water System revenue bonds in the amount of \$172,500 which bear interest at 5%. Principal is due in annual installments ranging from \$3,000 to \$12,000 through the year 2031. Interest is due in semi-annual installments on March 1 and September 1. The Water System revenue bonds are secured by a statutory first lien on the net revenues of the Water System. The following summarizes the debt service requirements for the next five years and thereafter:

Year ended February 28,	
2008	\$ 11,625
2009	12,475
2010	12,275
2011	12,075
2012	11,875
Thereafter	<u>246,050</u>
	TOTAL \$ <u>306,375</u>

The above schedule includes \$133,875 of interest payments.

VILLAGE OF GARDEN

NOTES TO FINANCIAL STATEMENTS

February 28, 2007

NOTE 6 - INTERFUND BALANCES

Interfund balances as of February 28, 2007 consist of the following:

<u>Fund</u>	<u>Due From</u>	<u>Fund</u>	<u>Due To</u>
General Fund	\$ 8,506	General Fund	\$ 68,113
Major Street Fund	23,677	Local Street Fund	10,177
Water System Fund	<u>63,236</u>	Water System Fund	<u>17,129</u>
TOTAL	\$ <u>95,419</u>		\$ <u>95,419</u>

NOTE 7 - RISK MANAGEMENT

The Village is exposed to various risk of loss related to torts, theft, accident, errors, omissions, injury and disaster. The Village's principal resource used to manage these risks is through the purchase of commercial property and liability insurance policies.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF GARDEN

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND, MAJOR STREET FUND, LOCAL STREET FUND, CASH BASIS

For the year ended February 28, 2007

	General Fund			Major Street Fund			Local Street Fund			Variance Favorable (Unfavorable)		
	Original Budget	Final Budget	Actual	Variance-Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget		Final Budget	Actual
REVENUES												
Taxes	\$ 25,000	\$ 25,000	\$ 27,174	\$ 2,174	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	22,000	22,000	21,676	(324)	10,000	10,000	13,784	3,784	5,700	5,700	6,667	967
Charges for services	10,000	10,000	10,028	28	-	-	-	-	-	-	-	-
Interest and rentals	-	-	7,525	7,525	-	-	-	-	-	-	-	-
Other	-	-	11,524	11,524	-	-	-	-	-	-	-	-
TOTAL REVENUES	\$ 57,000	\$ 57,000	\$ 77,927	\$ 20,927	\$ 10,000	\$ 10,000	\$ 13,784	\$ 3,784	\$ 5,700	\$ 5,700	\$ 6,667	\$ 967
EXPENDITURES												
Legislative	\$ 3,550	\$ 3,550	\$ 2,656	\$ 894	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
General government	113,099	113,099	54,794	58,305	-	-	-	-	-	-	-	-
Public works	3,000	3,000	4,426	(1,426)	9,300	9,300	11,480	(2,180)	5,550	5,550	6,790	(1,240)
Recreation and culture	-	-	2,040	(2,040)	-	-	-	-	-	-	-	-
Debt service	16,650	16,650	15,573	1,077	-	-	-	-	-	-	4,881	(4,881)
Capital outlay	-	-	7,151	(7,151)	-	-	-	-	-	-	26,820	(26,820)
TOTAL EXPENDITURES	\$ 136,299	\$ 136,299	\$ 86,640	\$ 49,659	\$ 9,300	\$ 9,300	\$ 11,480	\$ (2,180)	\$ 5,550	\$ 5,550	\$ 38,491	\$ (32,941)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (79,299)	\$ (79,299)	\$ (8,713)	\$ 70,586	\$ 700	\$ 700	\$ 2,304	\$ 1,604	\$ 150	\$ 150	\$ (31,824)	\$ (31,974)
OTHER FINANCING SOURCES (USES)												
Proceeds from notes payable	-	-	-	-	-	-	-	-	-	-	26,820	26,820
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (79,299)	\$ (79,299)	\$ (8,713)	\$ 70,586	\$ 700	\$ 700	\$ 2,304	\$ 1,604	\$ 150	\$ 150	\$ (5,004)	\$ (5,154)
Fund Balance, March 1	(47,219)	(47,219)	(47,219)	-	23,724	23,724	23,724	-	(5,136)	(5,136)	(5,136)	-
FUND BALANCE, FEBRUARY 28	\$ (126,518)	\$ (126,518)	\$ (55,932)	\$ 70,586	\$ 24,424	\$ 24,424	\$ 26,028	\$ 1,604	\$ (4,986)	\$ (4,986)	\$ (10,140)	\$ (5,154)

See notes to required supplemental information

VILLAGE OF GARDEN

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

February 28, 2007

BUDGETARY INFORMATION

The Village prepares annual budgets on a cash basis. A reconciliation of revenues and expenditures between the modified accrual basis of accounting used in the preparation of the governmental funds financial statements and the cash basis of accounting used for budgetary reporting is as follows:

	<u>General Fund</u>		<u>Major Street Fund</u>		<u>Local Street Fund</u>	
	<u>Revenues</u>	<u>Expenditures</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Revenues</u>	<u>Expenditures</u>
Amounts reported on Modified accrual basis	\$ 73,687	\$ 91,252	\$ 13,576	\$ 11,480	\$ 33,471	\$ 38,491
Cash basis adjustments:						
Current year change in accounts receivable	4,240	-	208	-	16	-
Current year change in accounts payable/prepays	-	(4,612)	-	-	-	-
Cash basis amounts	<u>\$ 77,927</u>	<u>\$ 86,640</u>	<u>\$ 13,784</u>	<u>\$ 11,480</u>	<u>\$ 33,487</u>	<u>\$ 38,491</u>

EXCESS EXPENDITURES

Excess of Expenditures Over Appropriations - Public Act 2 of 1968, as amended by Public Act 621 of 1978, prohibits local governments in Michigan from incurring expenditures in excess of appropriations adopted by the governing body. The following amounts of excess expenditures were incurred by the Village during the current year:

	<u>Budget</u>	<u>Actual Expenditures</u>	<u>Excess</u>
General Fund:			
Village President	\$ 700	\$ 821	\$ 121
Capital outlay	-	7,151	7,151
Street lights	3,000	4,426	1,426
Recreation and culture	750	2,040	1,290
Major Street Fund:			
Wages	1,500	4,545	3,045
Equipment rental	1,500	5,016	3,516
Local Street Funds:			
Wages	-	2,049	2,049
Supplies	300	896	596
Equipment rental	1,000	2,508	1,508
Capital outlay	-	26,820	26,820
Debt service	-	4,881	4,881

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF GARDEN

GENERAL FUND BUDGETARY COMPARISON SCHEDULE-CASH BASIS

For the year ended February 28, 2007

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Property Taxes:			
Current	\$ 19,000	\$ 20,894	\$ 1,894
Delinquent	6,000	6,280	280
State Sources:			
Revenue sharing	22,000	21,676	(324)
Charges for Services:			
Garbage collection	10,000	8,674	(1,326)
Equipment rentals	-	7,524	7,524
Snowplowing	-	500	500
Maintenance fee	-	854	854
Other:			
Insurance proceeds	-	7,051	7,051
Grant	-	3,500	3,500
Miscellaneous	-	973	973
Interest earnings	-	1	1
	<u>\$ 57,000</u>	<u>\$ 77,927</u>	<u>\$ 20,927</u>

VILLAGE OF GARDEN

SCHEDULE OF GENERAL FUND EXPENDITURES PAID -BY ACTIVITY AND ACCOUNT

For the year ended February 28, 2007

<u>Village Council</u>	
Board fees	\$ 1,425
Dues and administrative expenses	410
	<hr/>
	\$ 1,835
<u>Village President</u>	
Salary	\$ 821
	<hr/>
<u>Village Clerk</u>	
Salary	1,138
Bond	175
	<hr/>
	\$ 1,313
<u>Village Treasurer</u>	
Salary	2,958
Miscellaneous	115
	<hr/>
	\$ 3,073
<u>Election</u>	
Printing and publishing	\$ 60
	<hr/>
<u>Village Hall</u>	
Wages	\$ 21,760
Contract labor	1,280
Supplies	1,938
Utilites	4,805
Repairs	866
Miscellaneous	60
	<hr/>
	\$ 30,709



*Schneider, Larche,
Haspala & Co., PLLC*

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS



David P. Pechawer, C.P.A., P.C.

Denise M. Boyle, C.P.A., P.C.

Bruce D. Dewar, C.P.A.

Karen L. Meiers, C.P.A., P.C.

February 1, 2008

To the Village Council
Village of Garden
Garden, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Garden, Michigan as of and for the year ended February 28, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Garden's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an 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.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated February 1, 2008 contains our report on significant deficiencies in the Village's internal control. This letter does not affect our report dated February 1, 2008 on the financial statements of the Village of Garden.

We will be pleased to discuss these recommendations and comments in further detail at your convenience. We appreciate the assistance provided to us by the Village officials and look forward to working with them in the future.

Schneider, Larche, Haspala & Company, PLLC

Certified Public Accountants

MODIFIED ACCRUAL/ACCRUAL BASIS OF ACCOUNTING

The Village plans to computerize its accounting records. Under GASB Statement No. 34, the financial statements of the Village must now be prepared on the modified accrual basis for its governmental type funds and the accrual basis for the Water System fund. We recommend that the garbage accounts receivable and water accounts receivable be set up into the chart of accounts and accounted for within the accounting software. This will improve internal controls and also will provide better monthly reporting to the Village Council and make fewer audit adjustments necessary.

POSTING OF DUE TO/FROM OTHER FUNDS

When setting up the beginning balances in its accounting software, the Village should record its due to/due from other funds balances. If any amounts are paid from one fund for another fund these transactions should be posted to the appropriate due from/to account. These accounts should be reconciled monthly to make sure the interfund balances agree.

DEFICIT ELIMINATION PLAN SHOULD BE UPDATED

The Village's General Fund deficit elimination plan should be reviewed and updated, incorporating the audited beginning fund balance and any other updated amounts. This plan is required to be updated annually and filed with the Michigan Department of Treasury until the deficit is eliminated.



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February 1, 2008

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"

To the Village Council
Village of Garden, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Garden, Michigan, as of and for the year ended February 28, 2007 which collectively comprise the Village of Garden's basic financial statements and have issued our report thereon dated February 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Garden's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Garden's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Garden'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 Village of Garden'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 Village of Garden's financial statements that is more than inconsequential will not be prevented or detected by the Village of Garden's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

Finding: The Village is not performing a monthly reconciliation of accounts receivable for water and garbage charges. Individual customer account records are maintained showing individual billing and cash payments, but a control summary is not maintained and reconciled to the total of the individual account records. Without preparation of a monthly summary and reconciliation, errors in posting of billings and cash receipts to individual account records would not be detected.

Response: Due to changes in Village officials, this reconciliation has not been consistently performed. The Village has reviewed these procedures and will begin performing this reconciliation each month. In addition, the Village plans on computerizing its records and will maintain them on the accrual basis of accounting thereby providing general ledger control totals.

Finding: Due to the limited number of Village officials, the Village is limited as to the extent to which it can segregate the duties of officials involved in the cash receipt, cash disbursement and recording of cash transaction functions. Officials perform duties in which they have access to both physical assets and the related accounting records.

Response: The Village President has now been given authority to view bank account activity online which provides additional control over cash receipts and disbursements. In addition, a finance committee which consists of members of the Village Council that have no access to cash transactions has been formed to review in detail the cash and accounting records on a monthly basis.

Finding: The Village had instances of noncompliance with the Uniform Budgeting and Accounting Act of the State of Michigan as follows:

- The Village's budget for the year ended February 28, 2007 did not include the beginning and ending fund balance.
- The Village had several instances of excess expenditures over budget.
- The Village did not adopt its budget for the 2006 – 2007 fiscal year before commencement of the budget year.

Response: The Village plans to computerize its accounting records and will incorporate its adopted budgets into the reports. This will assist in timely identifying budget variances and providing for budget amendments. In addition, Village officials will review the Uniform Budgeting and Accounting Act to insure they are in compliance with its provisions.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Garden'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 believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Garden's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements 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".

The Village of Garden's response to the findings identified in our audit is described above. We did not audit the Village of Garden's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Village Council, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Schneider, Larche, Haapala, & Company, PLLC

Certified Public Accountants