

### 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<br><input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other |                                   | Local Unit Name<br>City of Gobles                      | County<br>Van Buren |
| Fiscal Year End<br>June 30, 2007   | Opinion Date<br>February 13, 2008 | Date Audit Report Submitted to State<br>April 25, 2008 |                     |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- 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.
  - 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.
  - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - The local unit has adopted a budget for all required funds.
  - A public hearing on the budget was held in accordance with State statute.
  - 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.
  - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - The local unit only holds deposits/investments that comply with statutory requirements.
  - 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).
  - 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.
  - The local unit is free of repeated comments from previous years.
  - The audit opinion is UNQUALIFIED.
  - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - The board or council approves all invoices prior to payment as required by charter or statute.
  - 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 type="checkbox"/>                  |  |
| Other (Describe)   | <input checked="" type="checkbox"/>       | SAS #112 communication                     |
| Certified Public Accountant (Firm Name)<br>Siegfried Crandall, PC  | Telephone Number<br>(269) 381-4970        |  |
| Street Address<br>246 East Kilgore Road  | City<br>Kalamazoo                         | State<br>MI                                |
|  |   | Zip<br>49002                               |
| Authorizing CPA Signature<br> | Printed Name<br>Daniel L. Veldhuizen, CPA | License Number<br>1101020724               |

*City of Gobles*  
*Van Buren County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended June 30, 2007*

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## INDEPENDENT AUDITORS' REPORT

City Commission  
City of Gobles, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the City of Gobles, Michigan, as of June 30, 2007, and for the year then ended, which collectively comprise the City of Gobles, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the City of Gobles, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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, and the aggregate remaining fund information of the City of Gobles, Michigan, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have issued our report dated February 12, 2008, on our consideration of the City of Gobles, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 budgetary comparison information, as listed in the contents, is 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 inquires 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.



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City Commission  
City of Gobles, Michigan  
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The City of Gobles, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gobles, Michigan's basic financial statements. The accompanying supplementary data is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

*Sigfried Crandall P.C.*

February 13, 2008

## **BASIC FINANCIAL STATEMENTS**

**City of Gobles**  
**STATEMENT OF NET ASSETS**  
*June 30, 2007*

|   | <u>Governmental<br/>activities</u> | <u>Business-type<br/>activities</u> | <u>Totals</u>     |
|---|------------------------------------|-------------------------------------|-------------------|
| <b>ASSETS</b>                                   |                                    |                                     |                   |
| Current assets:                                 |                                    |                                     |                   |
| Cash  | \$ 369,528                         | \$ 52,011                           | \$ 421,539        |
| Receivables                                     | 78,919                             | 45,173                              | 124,092           |
| Inventory                                       | -                                  | 1,000                               | 1,000             |
| Internal balances                               | <u>31,413</u>                      | <u>(31,413)</u>                     | <u>-</u>          |
| Total current assets                            | <u>479,860</u>                     | <u>66,771</u>                       | <u>546,631</u>    |
| Noncurrent assets:                              |                                    |                                     |                   |
| Land  | 8,000                              | 2,500                               | 10,500            |
| Depreciable capital assets, net                 | <u>205,030</u>                     | <u>1,299,314</u>                    | <u>1,504,344</u>  |
| Total noncurrent assets                         | <u>213,030</u>                     | <u>1,301,814</u>                    | <u>1,514,844</u>  |
| Total assets                                    | <u>692,890</u>                     | <u>1,368,585</u>                    | <u>2,061,475</u>  |
| <b>LIABILITIES</b>                              |                                    |                                     |                   |
| Current liabilities:                            |                                    |                                     |                   |
| Payables  | 31,446                             | 5,396                               | 36,842            |
| Bonds payable                                   | <u>-</u>                           | <u>15,000</u>                       | <u>15,000</u>     |
| Total current liabilities                       | 31,446                             | 20,396                              | 51,842            |
| Noncurrent liabilities - bonds payable          | <u>-</u>                           | <u>1,253,000</u>                    | <u>1,253,000</u>  |
| Total liabilities                               | <u>31,446</u>                      | <u>1,273,396</u>                    | <u>1,304,842</u>  |
| <b>NET ASSETS</b>                               |                                    |                                     |                   |
| Invested in capital assets, net of related debt | 205,030                            | 31,314                              | 236,344           |
| Restricted for street repairs and improvements  | 159,063                            | -                                   | 159,063           |
| Unrestricted                                    | <u>297,351</u>                     | <u>63,875</u>                       | <u>361,226</u>    |
| Total net assets                                | <u>\$ 661,444</u>                  | <u>\$ 95,189</u>                    | <u>\$ 756,633</u> |

See notes to the financial statements

**City of Gobles**  
**STATEMENT OF ACTIVITIES**  
Year ended June 30, 2007

|                               | <u>Program revenues</u> |                             |   |
|-------------------------------|-------------------------|-----------------------------|---|
|                               | <u>Expenses</u>         | <u>Charges for services</u> | <u>Operating grants and contributions</u> |
| <b>Functions/Programs</b>     |                         |                             |   |
| Governmental activities:      |                         |                             |   |
| Legislative                   | \$ 7,282                | \$ -                        | \$ -                                      |
| General government            | 144,332                 | 1,801                       | -   |
| Public safety                 | 105,010                 | 6,876                       | -   |
| Public works                  | 98,906                  | -                           | 74,452                                    |
| Culture and recreation        | 21,263                  | -                           | -   |
|                               | <u>376,793</u>          | <u>8,677</u>                | <u>74,452</u>                             |
| Total governmental activities |                         |                             |   |
| Business-type activities:     |                         |                             |   |
| Water                         | 172,818                 | 117,211                     | -   |
|                               | <u>172,818</u>          | <u>117,211</u>              | <u>-</u>                                  |
| Totals                        |                         |                             |   |
|                               | <u>\$ 549,611</u>       | <u>\$ 125,888</u>           | <u>\$ 74,452</u>                          |

General revenues:  
Property taxes  
State shared revenue  
Unrestricted interest income

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

**Net (expenses) revenues and changes in net assets**

| <b><u>Governmental activities</u></b> | <b><u>Business-type activities</u></b> | <b><u>Totals</u></b> |
|---------------------------------------|--|----------------------|
| \$ (7,282)                            |  | \$ (7,282)           |
| (142,531)                             |  | (142,531)            |
| (98,134)                              |  | (98,134)             |
| (24,454)                              |  | (24,454)             |
| <u>(21,263)</u>                       |  | <u>(21,263)</u>      |
| <br>                                  |  |                      |
| <u>(293,664)</u>                      |  | <u>(293,664)</u>     |
|                                       | \$ <u>(55,607)</u>                     | <u>(55,607)</u>      |
| <br>                                  |  |                      |
| <u>(293,664)</u>                      | <u>(55,607)</u>                        | <u>(349,271)</u>     |
| <br>                                  |  |                      |
| 212,169                               | -                                      | 212,169              |
| 101,702                               | -                                      | 101,702              |
| <u>3,657</u>                          | <u>330</u>                             | <u>3,987</u>         |
| <br>                                  |  |                      |
| <u>317,528</u>                        | <u>330</u>                             | <u>317,858</u>       |
| <br>                                  |  |                      |
| 23,864                                | (55,277)                               | (31,413)             |
| <u>637,580</u>                        | <u>150,466</u>                         | <u>788,046</u>       |
| <br>                                  |  |                      |
| <u>\$ 661,444</u>                     | <u>\$ 95,189</u>                       | <u>\$ 756,633</u>    |

See notes to the financial statements

**City of Gobles**  
**BALANCE SHEET - governmental funds**  
 June 30, 2007

|   | <u>Major funds</u> |                         | <u>Nonmajor<br/>fund</u> | <u>Total<br/>governmental<br/>funds</u> |
|---|--------------------|-------------------------|--------------------------|---|
|   | <u>General</u>     | <u>Major<br/>Street</u> | <u>Local<br/>Street</u>  |   |
| <b>ASSETS</b>   |                    |                         |                          |   |
| Cash  | \$ 170,022         | \$ 110,226              | \$ 36,210                | \$ 316,458                              |
| Receivables   | 35,512             | 33,797                  | 9,610                    | 78,919                                  |
| Due from other funds  | <u>34,337</u>      | <u>-</u>                | <u>-</u>                 | <u>34,337</u>                           |
| Total assets  | <u>\$ 239,871</u>  | <u>\$ 144,023</u>       | <u>\$ 45,820</u>         | <u>\$ 429,714</u>                       |
| <b>LIABILITIES AND FUND BALANCES</b>  |                    |                         |                          |   |
| Liabilities:  |                    |                         |                          |   |
| Payables  | \$ 17,453          | \$ -                    | \$ -                     | \$ 17,453                               |
| Due to other funds  | <u>32,016</u>      | <u>21,749</u>           | <u>9,031</u>             | <u>62,796</u>                           |
| Total liabilities   | 49,469             | 21,749                  | 9,031                    | 80,249                                  |
| Fund balances - unreserved,<br>undesignated   | <u>190,402</u>     | <u>122,274</u>          | <u>36,789</u>            | <u>349,465</u>                          |
| Total liabilities and<br>fund balances  | <u>\$ 239,871</u>  | <u>\$ 144,023</u>       | <u>\$ 45,820</u>         | <u>\$ 429,714</u>                       |
| Total fund balances - all governmental funds  |                    |                         |                          | \$ 349,465                              |
| Amounts reported for <i>governmental activities</i> in the statement of net assets (page 5) are different because:  |                    |                         |                          |   |
| Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.  |                    |                         |                          | 142,694                                 |
| Compensated absences  |                    |                         |                          | (13,993)                                |
| The internal service fund is used by management to charge the costs of equipment management to individual funds. The assets and liabilities of the internal service fund are included in <i>governmental activities</i> in the statement of net assets. |                    |                         |                          | <u>183,278</u>                          |
| Net assets of <i>governmental activities</i>  |                    |                         |                          | <u>\$ 661,444</u>                       |

See notes to the financial statements

*City of Gobles*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - governmental funds**

*Year ended June 30, 2007*

|                                    | <u>Major funds</u> |                         | <u>Nonmajor<br/>fund</u> | <u>Total<br/>governmental<br/>funds</u> |
|------------------------------------|--------------------|-------------------------|--------------------------|---|
|                                    | <u>General</u>     | <u>Major<br/>Street</u> | <u>Local<br/>Street</u>  |   |
| <b>REVENUES</b>                    |                    |                         |                          |   |
| Property taxes                     | \$ 212,169         | \$ -                    | \$ -                     | \$ 212,169                              |
| Licenses and permits               | 6,876              | -                       | -                        | 6,876                                   |
| State grants                       | 101,702            | 51,350                  | 14,602                   | 167,654                                 |
| Contribution from local unit       | -                  | 8,500                   | -                        | 8,500                                   |
| Interest                           | 553                | 515                     | 161                      | 1,229                                   |
| Other                              | 1,801              | -                       | -                        | 1,801                                   |
|                                    |                    |                         |                          |   |
| Total revenues                     | <u>323,101</u>     | <u>60,365</u>           | <u>14,763</u>            | <u>398,229</u>                          |
|                                    |                    |                         |                          |   |
| <b>EXPENDITURES</b>                |                    |                         |                          |   |
| Legislative                        | 7,282              | -                       | -                        | 7,282                                   |
| General government                 | 133,845            | -                       | -                        | 133,845                                 |
| Public safety                      | 105,010            | -                       | -                        | 105,010                                 |
| Public works                       | 42,374             | 27,693                  | 7,729                    | 77,796                                  |
| Culture and recreation             | 21,263             | -                       | -                        | 21,263                                  |
| Capital outlay                     | 6,944              | -                       | -                        | 6,944                                   |
|                                    |                    |                         |                          |   |
| Total expenditures                 | <u>316,718</u>     | <u>27,693</u>           | <u>7,729</u>             | <u>352,140</u>                          |
|                                    |                    |                         |                          |   |
| <b>NET CHANGE IN FUND BALANCES</b> | 6,383              | 32,672                  | 7,034                    | 46,089                                  |
|                                    |                    |                         |                          |   |
| <b>FUND BALANCES - BEGINNING</b>   | <u>184,019</u>     | <u>89,602</u>           | <u>29,755</u>            | <u>303,376</u>                          |
|                                    |                    |                         |                          |   |
| <b>FUND BALANCES - ENDING</b>      | <u>\$ 190,402</u>  | <u>\$ 122,274</u>       | <u>\$ 36,789</u>         | <u>\$ 349,465</u>                       |

See notes to the financial statements

*City of Gobles*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - *governmental funds* (Continued)**

*Year ended June 30, 2007*

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Net change in fund balances - total governmental funds \$ 46,089

Amounts reported for *governmental activities* in the statement of activities  
(page 6) are different because:

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

Deduct: Provision for depreciation (10,660)

Increase in compensated absences (13,993)

The net revenues of the internal service fund are reported with  
governmental activities. 2,428

Change in net assets of governmental activities \$ 23,864

**City of Gobles**  
**STATEMENT OF NET ASSETS - proprietary funds**  
*June 30, 2007*

|   | <u><i>Business-type<br/>activities</i></u> | <u><i>Governmental<br/>activities</i></u> |
|---|--|---|
|   | <u><i>Enterprise</i></u>                   | <u><i>Internal</i></u>                    |
|   | <u><i>Water</i></u>                        | <u><i>service</i></u>                     |
| <b>ASSETS</b>                                   |  |   |
| Current assets:                                 |  |   |
| Cash  | \$ 52,011                                  | \$ 53,070                                 |
| Receivables                                     | 45,173                                     | -   |
| Inventory                                       | 1,000                                      | -   |
| Due from other funds                            | -  | 66,308                                    |
|   | <u>98,184</u>                              | <u>119,378</u>                            |
| Total current assets                            |  |   |
| Noncurrent assets:                              |  |   |
| Land  | 2,500                                      | -   |
| Depreciable capital assets, net                 | 1,299,314                                  | 70,336                                    |
|   | <u>1,301,814</u>                           | <u>70,336</u>                             |
| Total noncurrent assets                         |  |   |
|   | <u>1,399,998</u>                           | <u>189,714</u>                            |
| Total assets                                    |  |   |
| <b>LIABILITIES</b>                              |  |   |
| Current liabilities:                            |  |   |
| Payables  | 5,396                                      | -   |
| Due to other funds                              | 31,413                                     | 6,436                                     |
| Bonds payable                                   | 15,000                                     | -   |
|   | <u>51,809</u>                              | <u>6,436</u>                              |
| Total current liabilities                       |  |   |
| Noncurrent liabilities - bonds payable          |  |   |
|   | <u>1,253,000</u>                           | <u>-</u>                                  |
| Total liabilities                               |  |   |
|   | <u>1,304,809</u>                           | <u>6,436</u>                              |
| <b>NET ASSETS</b>                               |  |   |
| Invested in capital assets, net of related debt | 33,814                                     | -   |
| Unrestricted                                    | 61,375                                     | 183,278                                   |
|   | <u>95,189</u>                              | <u>183,278</u>                            |
| Total net assets                                |  |   |
|   | <u>\$ 95,189</u>                           | <u>\$ 183,278</u>                         |

See notes to the financial statements

*City of Gobles*

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET**

**ASSETS - *proprietary funds***

*Year ended June 30, 2007*

|   | <u><i>Business-type<br/>activities</i></u> | <u><i>Governmental<br/>activities</i></u> |
|---|--|---|
|   | <u><i>Enterprise</i></u>                   | <u><i>Internal<br/>service</i></u>        |
|   | <u><i>Water</i></u>                        |   |
| <b>OPERATING REVENUES</b>               |  |   |
| Charges for services:                   |  |   |
| Water sales                             | \$ 102,868                                 | \$ -                                      |
| Equipment rentals                       | -  | 33,908                                    |
| Other                                   | <u>14,343</u>                              | <u>-</u>                                  |
| Total operating revenues                | <u>117,211</u>                             | <u>33,908</u>                             |
| <b>OPERATING EXPENSES</b>               |  |   |
| Personal services                       | 27,065                                     | 4,192                                     |
| Contractual services                    | 2,200                                      | 500                                       |
| Supplies                                | 1,114                                      | 5,867                                     |
| Insurance                               | 556  | 2,244                                     |
| Utilities                               | 9,890                                      | -   |
| Repair and maintenance                  | 24,057                                     | 726                                       |
| Equipment rental                        | 3,615                                      | -   |
| Miscellaneous                           | 1,050                                      | 176                                       |
| Depreciation                            | <u>48,836</u>                              | <u>18,200</u>                             |
| Total operating expenses                | <u>118,383</u>                             | <u>31,905</u>                             |
| <b>OPERATING INCOME (LOSS)</b>          | <u>(1,172)</u>                             | <u>2,003</u>                              |
| <b>NONOPERATING REVENUES (EXPENSES)</b> |  |   |
| Interest income                         | 330  | 425                                       |
| Interest expense                        | <u>(54,435)</u>                            | <u>-</u>                                  |
| Total nonoperating revenues (expenses)  | <u>(54,105)</u>                            | <u>425</u>                                |
| <b>CHANGE IN NET ASSETS</b>             | (55,277)                                   | 2,428                                     |
| <b>NET ASSETS - BEGINNING</b>           | <u>150,466</u>                             | <u>180,850</u>                            |
| <b>NET ASSETS - ENDING</b>              | <u>\$ 95,189</u>                           | <u>\$ 183,278</u>                         |

*See notes to the financial statements*

**City of Gobles**  
**STATEMENT OF CASH FLOWS - proprietary funds**  
Year ended June 30, 2007

|  | <u>Business-type<br/>activities</u> | <u>Governmental<br/>activities</u> |
|--|-------------------------------------|------------------------------------|
|  | <u>Enterprise</u>                   | <u>Internal</u>                    |
|  | <u>Water</u>                        | <u>service</u>                     |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                                     |                                    |
| Receipts from customers  | \$ 111,955                          | \$ -                               |
| Receipts from interfund services provided  | -                                   | 33,908                             |
| Payments to suppliers  | (37,961)                            | (9,513)                            |
| Payments to employees  | (27,065)                            | (4,192)                            |
| Payments for interfund services used   | (3,615)                             | -                                  |
| Net cash provided by operating activities  | <u>43,314</u>                       | <u>20,203</u>                      |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>   |                                     |                                    |
| Increase in due from other funds   | -                                   | (33,908)                           |
| Increase (decrease) in due to other funds  | 3,718                               | (1,044)                            |
| Net cash provided by (used in) noncapital financing activities                                 | <u>3,718</u>                        | <u>(34,952)</u>                    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                |                                     |                                    |
| Principal payments on capital debt   | (14,000)                            | -                                  |
| Interest payments on capital debt  | (54,485)                            | -                                  |
| Net cash used in capital and related financing activities                                      | <u>(68,485)</u>                     | <u>-</u>                           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                                     |                                    |
| Interest received  | 330                                 | 425                                |
| <b>NET DECREASE IN CASH</b>  | (21,123)                            | (14,324)                           |
| <b>CASH - BEGINNING</b>  | <u>73,134</u>                       | <u>67,394</u>                      |
| <b>CASH - ENDING</b>   | <u>\$ 52,011</u>                    | <u>\$ 53,070</u>                   |
| <b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b> |                                     |                                    |
| Operating income (loss)  | \$ (1,172)                          | \$ 2,003                           |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: |                                     |                                    |
| Depreciation   | 48,836                              | 18,200                             |
| Increase in receivables  | (5,256)                             | -                                  |
| Increase in payables   | 906                                 | -                                  |
| Net cash provided by operating activities  | <u>\$ 43,314</u>                    | <u>\$ 20,203</u>                   |

See notes to the financial statements

**City of Gobles**  
**STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund**  
*June 30, 2007*

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**ASSETS**

|      |                  |
|------|------------------|
| Cash | \$ <u>17,574</u> |
|------|------------------|

**LIABILITIES**

|                                 |                  |
|---------------------------------|------------------|
| Due to other governmental units | \$ <u>17,574</u> |
|---------------------------------|------------------|

*See notes to the financial statements*

**City of Gobles**  
**NOTES TO FINANCIAL STATEMENTS**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the City of Gobles, Michigan (the City), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

*a) Reporting entity:*

In accordance with generally accepted accounting principles and the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the City. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no other entities for which the City exercises oversight responsibility.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has 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 activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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. For this purpose, the City generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the City's major streets.

The City reports the following major proprietary fund:

The Water Fund accounts for the activities of the City's water distribution system.

Additionally, the City reports an internal service fund that accounts for equipment management services provided to other departments of the City on a cost-reimbursement basis and the Agency Fund, a fiduciary fund, which accounts for financial assets held for other units of government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). 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 City has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 proprietary fund is charges to customers for services. Operating expenses for the proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity:*

i) *Bank deposits* - Cash is considered to be cash on hand, demand deposits, and time deposits.

ii) *Receivables* - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the City considers all receivables to be fully collectible.

iii) *Capital assets* - Capital assets, which include property, equipment, and infrastructure assets (e.g., streets, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City 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 market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The City has elected to account for infrastructure assets prospectively, beginning July 1, 2003.

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

|                            |               |
|----------------------------|---------------|
| Buildings and improvements | 20 - 40 years |
| Equipment                  | 5 - 20 years  |
| Vehicles                   | 5 years       |
| Water systems              | 10 - 40 years |

iv) *Compensated absences* - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the City. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

v) *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 use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) *Property tax revenue recognition* - Property taxes are levied as of July 1 on property values assessed as of July 31 of the prior year. The billings are due on or before September 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the City. Property tax revenue is recognized in the year for which taxes have been levied and become available. The City levy date is July 1, and, accordingly, the total levy is recognized as revenue in the current year.

**City of Gobles**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the City's general and special revenue funds. The budget document presents information by fund, function, activity, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

*Excess of expenditures over appropriations in budgeted funds* - The following schedule sets forth the significant budget variances:

| <u>Fund</u> | <u>Function</u>        | <u>Activity</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-------------|------------------------|-----------------|---------------|---------------|-----------------|
| General     | General government     | Elections       | \$ 2,050      | \$ 5,536      | \$ (3,486)      |
|             | General government     | Assessor        | 10,400        | 11,452        | (1,052)         |
|             | Public safety          | Inspections     | 1,200         | 4,860         | (3,660)         |
|             | Public works           | Public works    | 34,437        | 35,623        | (1,186)         |
|             | Culture and recreation | Parks           | 17,694        | 21,263        | (3,569)         |
|             | Capital outlay         | Capital outlay  | -             | 6,944         | (6,944)         |

**NOTE 3 - CASH:**

At June 30, 2007, cash was classified in the accompanying financial statements as follows:

|               | <u>Governmental activities</u> | <u>Business-type activities</u> | <u>Fiduciary</u> | <u>Totals</u>     |
|---------------|--------------------------------|---------------------------------|------------------|-------------------|
| Petty cash    | \$ 50                          | \$ -                            | \$ -             | \$ 50             |
| Bank deposits | 369,478                        | 52,011                          | 17,574           | 439,063           |
| <b>Totals</b> | <b>\$ 369,528</b>              | <b>\$ 52,011</b>                | <b>\$ 17,574</b> | <b>\$ 439,113</b> |

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the City's investment policy authorize the City to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The City's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. At June 30, 2007, \$385,523 of the City's bank balances of \$585,523 was exposed to custodial credit risk because it was uninsured. The City believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the City evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**City of Gobles**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 4 - RECEIVABLES:**

At June 30, 2007, the City's receivables are as follows:

|                            | <i>Property<br/>taxes</i> | <i>Inter-<br/>govern-<br/>mental</i> | <i>Accounts</i>  | <i>Totals</i>    |
|----------------------------|---------------------------|--------------------------------------|------------------|------------------|
| Governmental funds:        |                           |                                      |                  |                  |
| General Fund               | \$ 3,581                  | \$ 31,931                            | \$ -             | \$ 35,512        |
| Major Street Fund          | -                         | 33,797                               | -                | 33,797           |
| Nonmajor governmental fund | -                         | 9,610                                | -                | 9,610            |
| Total governmental funds   | <u>\$ 3,581</u>           | <u>\$ 75,338</u>                     | <u>\$ -</u>      | <u>\$ 78,919</u> |
| Proprietary fund:          |                           |                                      |                  |                  |
| Water Fund                 | <u>\$ -</u>               | <u>\$ -</u>                          | <u>\$ 45,173</u> | <u>\$ 45,173</u> |

All receivables are due within one year and are considered fully collectible.

**NOTE 5 - CAPITAL ASSETS:**

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

|  | <i>Beginning<br/>balance</i> | <i>Increases</i>   | <i>Decreases</i> | <i>Ending<br/>balance</i> |
|--|------------------------------|--------------------|------------------|---------------------------|
| Governmental activities:                       |                              |                    |                  |                           |
| Capital assets not being depreciated - land    | <u>\$ 8,000</u>              | <u>\$ -</u>        | <u>\$ -</u>      | <u>\$ 8,000</u>           |
| Capital assets being depreciated:              |                              |                    |                  |                           |
| Buildings                                      | 60,008                       | -                  | -                | 60,008                    |
| Equipment                                      | 147,380                      | -                  | -                | 147,380                   |
| Vehicles                                       | 58,770                       | -                  | -                | 58,770                    |
| Street infrastructure                          | <u>118,247</u>               | <u>-</u>           | <u>-</u>         | <u>118,247</u>            |
| Subtotal                                       | <u>384,405</u>               | <u>-</u>           | <u>-</u>         | <u>384,405</u>            |
| Less accumulated depreciation for:             |                              |                    |                  |                           |
| Buildings                                      | (26,399)                     | (2,114)            | -                | (28,513)                  |
| Equipment                                      | (94,185)                     | (11,627)           | -                | (105,812)                 |
| Vehicles                                       | (18,106)                     | (9,207)            | -                | (27,313)                  |
| Street infrastructure                          | <u>(11,825)</u>              | <u>(5,912)</u>     | <u>-</u>         | <u>(17,737)</u>           |
| Subtotal                                       | <u>(150,515)</u>             | <u>(28,860)</u>    | <u>-</u>         | <u>(179,375)</u>          |
| Total capital assets being<br>depreciated, net | <u>233,890</u>               | <u>(28,860)</u>    | <u>-</u>         | <u>205,030</u>            |
| Governmental activities capital assets, net    | <u>\$ 241,890</u>            | <u>\$ (28,860)</u> | <u>\$ -</u>      | <u>\$ 213,030</u>         |

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

|   | <u>Beginning<br/>balance</u> | <u>Increases</u>   | <u>Decreases</u> | <u>Ending<br/>balance</u> |
|---|------------------------------|--------------------|------------------|---------------------------|
| Business-type activities:                           |                              |                    |                  |                           |
| Capital assets not being depreciated - land         | \$ 2,500                     | \$ -               | \$ -             | \$ 2,500                  |
| Capital assets being depreciated -<br>water system  | 1,948,762                    | -                  | -                | 1,948,762                 |
| Less accumulated depreciation for -<br>water system | <u>(600,612)</u>             | <u>(48,836)</u>    | <u>-</u>         | <u>(649,448)</u>          |
| Total capital assets being<br>depreciated, net      | <u>1,348,150</u>             | <u>(48,836)</u>    | <u>-</u>         | <u>1,299,314</u>          |
| Business-type activities capital assets, net        | <u>\$ 1,350,650</u>          | <u>\$ (48,836)</u> | <u>\$ -</u>      | <u>\$ 1,301,814</u>       |

Depreciation expense was charged to the City's governmental activities as follows:

|  |                  |
|--|------------------|
| Governmental activities:                             |                  |
| General government                                   | \$ 4,748         |
| Public works   | 5,912            |
| Depreciation on internal service fund capital assets | <u>18,200</u>    |
| Total governmental activities                        | <u>\$ 28,860</u> |

**City of Gobles**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:**

At June 30, 2007, the composition of interfund balances is as follows:

| <u>Fund</u> | <u>Receivables</u> | <u>Fund</u>  | <u>Payables</u>   |
|-------------|--------------------|--------------|-------------------|
| General     | \$ 34,337          | Major Street | \$ 1,172          |
|             |                    | Local Street | 2,706             |
|             |                    | Water        | 24,023            |
|             |                    | Motor Pool   | <u>6,436</u>      |
|             |                    |              | <u>34,337</u>     |
| <br>        |                    |              |                   |
| Motor Pool  | <u>66,308</u>      | Major Street | 20,577            |
|             |                    | Local Street | 6,325             |
|             |                    | Water        | 7,390             |
|             |                    | General      | <u>32,016</u>     |
|             |                    |              | <u>66,308</u>     |
| <br>        |                    |              |                   |
| Total       | <u>\$ 100,645</u>  | Total        | <u>\$ 100,645</u> |

The General Fund receivable represents amounts due for employee compensation and the Motor Pool Fund receivable represents amounts due for equipment rentals.

**NOTE 7 - PAYABLES:**

At June 30, 2007, the payables of the City's funds are as follows:

| <u>Fund</u>         | <u>Accounts</u>  | <u>Payroll</u> | <u>Interest</u> | <u>Totals</u>    |
|---------------------|------------------|----------------|-----------------|------------------|
| Governmental funds: |                  |                |                 |                  |
| General             | <u>\$ 17,453</u> | <u>\$ -</u>    | <u></u>         | <u>\$ 17,453</u> |
| Proprietary fund:   |                  |                |                 |                  |
| Water               | <u>\$ 906</u>    | <u>\$ -</u>    | <u>\$ 4,490</u> | <u>\$ 5,396</u>  |

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - NONCURRENT LIABILITIES (Continued):

At June 30, 2007, noncurrent liabilities are comprised of the following:

\$1,320,000 2003 USDA Water revenue bonds, due in annual installments ranging from \$15,000 to \$64,000, plus interest through June, 2043. The bonds are secured by the City's full faith and credit.

Noncurrent liability activity for the year ended June 30, 2007, was as follows:

|                         | <u>Beginning<br/>balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending<br/>balance</u> | <u>Amounts<br/>due within<br/>one year</u> |
|-------------------------|------------------------------|------------------|-------------------|---------------------------|--|
| Business-type activity: |                              |                  |                   |                           |  |
| 2003 USDA Water Bonds   | \$ 1,282,000                 | \$ -             | \$ 14,000         | \$ 1,268,000              | \$ 15,000                                  |

At June 30, 2007, debt service requirements were as follows:

|                     | <u>Business-type activities</u> |                     |
|---------------------|---------------------------------|---------------------|
|                     | <u>Principal</u>                | <u>Interest</u>     |
| Year ended June 30: |                                 |                     |
| 2008                | \$ 15,000                       | \$ 53,890           |
| 2009                | 15,000                          | 53,252              |
| 2010                | 16,000                          | 52,616              |
| 2011                | 17,000                          | 51,936              |
| 2012                | 17,000                          | 51,212              |
| 2013 - 2017         | 100,000                         | 244,378             |
| 2018 - 2022         | 125,000                         | 221,000             |
| 2023 - 2027         | 155,000                         | 192,060             |
| 2028 - 2032         | 195,000                         | 155,806             |
| 2033 - 2037         | 242,000                         | 110,670             |
| 2038 - 2042         | 302,000                         | 54,318              |
| 2043                | 69,000                          | 2,932               |
|                     | <u>\$ 1,268,000</u>             | <u>\$ 1,244,070</u> |
| Totals              |                                 |                     |

NOTES TO FINANCIAL STATEMENTS (Continued)

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NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN:

On January 10, 1994, the City adopted a defined contribution plan, specifically referred to as the City of Gobles Deferred Compensation Savings Plan (the Plan). In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Michigan state statutes assign the authority to establish and amend benefit provisions to the City Commission. All full-time employees are eligible to participate. Employees may elect to defer the lesser of 100% of taxable compensation or a dollar amount limitation in accordance with the Internal Revenue Code. The City will match 50% of the employees' contributions, to a maximum of \$400. City contributions on behalf of a participant for a plan year shall not exceed \$400 or 10% of earnings, whichever is less.

The City's contributions for each employee (and interest allocated to the employee's account) are fully vested immediately. The City is not a trustee of the Plan, nor is the City responsible for investment management of plan assets.

During the year ended June 30, 2007, the City and its employees made contributions of \$1,200 and \$2,880, respectively.

NOTE 10 - JOINT FIRE PROTECTION AGREEMENT:

In 1985, the City entered into an agreement with the Township of Pine Grove (the Township) to provide joint fire protection to the area. Under the agreement, a governing board (the Board), comprised of two members each from the Township and the City and one independent member, shall maintain the records and be responsible for the joint venture. The Board derives its revenues from taxes levied by the City and the Township and fire protection contracts with other local governmental units. Upon dissolution, the property each municipality has conveyed to the Board shall be returned to the party which had contributed it, and the property acquired by the Board would be distributed to the parties in direct proportion to the amounts each had contributed to the funds from which the property was acquired. During the year ended June 30, 2007, the City contributed \$20,256 for its share of the general operating expenditures. Audited financial statements can be obtained from the Clerk of the Township.

NOTE 11 - RISK MANAGEMENT:

The City is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, and employee medical claims. The risks of loss arising from general liability up to \$1,000,000, property losses, workers' compensation, and employee medical costs are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

NOTE 12 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2007, were as follows:

|                                      |                   |
|--------------------------------------|-------------------|
| Revenues                             | \$ 3,358          |
| Expenses                             | <u>(4,860)</u>    |
| Deficiency of revenues over expenses | <u>\$ (1,502)</u> |

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Gobles**

**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended June 30, 2007

|                               | <u>Original<br/>budget</u> | <u>Amended<br/>budget</u> | <u>Actual</u>  | <u>Variance<br/>favorable<br/>(unfavorable)</u> |
|-------------------------------|----------------------------|---------------------------|----------------|---|
| <b>REVENUES</b>               |                            |                           |                |   |
| Property taxes                | \$ 210,280                 | \$ 210,280                | \$ 212,169     | \$ 1,889  |
| Licenses and permits          | 6,600                      | 6,600                     | 6,876          | 276   |
| State grants                  | 105,327                    | 105,327                   | 101,702        | (3,625)   |
| Interest                      | 700                        | 700                       | 553            | (147)   |
| Other                         | <u>3,328</u>               | <u>3,328</u>              | <u>1,801</u>   | <u>(1,527)</u>                                  |
| Total revenues                | <u>326,235</u>             | <u>326,235</u>            | <u>323,101</u> | <u>(3,134)</u>                                  |
| <b>EXPENDITURES</b>           |                            |                           |                |   |
| Legislative - City Commission | <u>6,585</u>               | <u>6,585</u>              | <u>7,282</u>   | <u>(697)</u>                                    |
| General government:           |                            |                           |                |   |
| Elections                     | 2,050                      | 2,050                     | 5,536          | (3,486)   |
| Assessor                      | 10,400                     | 10,400                    | 11,452         | (1,052)   |
| Board of review               | 500                        | 500                       | 450            | 50  |
| Building and grounds          | 32,010                     | 32,010                    | 25,811         | 6,199   |
| Cemetery                      | 1,000                      | 1,000                     | 1,000          | -   |
| Administration                | <u>104,115</u>             | <u>104,115</u>            | <u>89,596</u>  | <u>14,519</u>                                   |
| Total general government      | <u>150,075</u>             | <u>150,075</u>            | <u>133,845</u> | <u>16,230</u>                                   |
| Public safety:                |                            |                           |                |   |
| Police protection             | 83,914                     | 83,914                    | 75,948         | 7,966   |
| Fire protection               | 21,000                     | 21,000                    | 20,256         | 744   |
| Inspections                   | 1,200                      | 1,200                     | 4,860          | (3,660)   |
| Crossing guard                | <u>4,630</u>               | <u>4,630</u>              | <u>3,946</u>   | <u>684</u>                                      |
| Total public safety           | <u>110,744</u>             | <u>110,744</u>            | <u>105,010</u> | <u>5,734</u>                                    |
| Public works:                 |                            |                           |                |   |
| Department of Public Works    | 34,437                     | 34,437                    | 35,623         | (1,186)   |
| Street lighting               | <u>6,700</u>               | <u>6,700</u>              | <u>6,751</u>   | <u>(51)</u>                                     |
| Total public works            | <u>41,137</u>              | <u>41,137</u>             | <u>42,374</u>  | <u>(1,237)</u>                                  |

*City of Gobles*

**BUDGETARY COMPARISON SCHEDULE - *General Fund* (Continued)**

*Year ended June 30, 2007*

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|  | <u><i>Original<br/>budget</i></u> | <u><i>Amended<br/>budget</i></u> | <u><i>Actual</i></u> | <u><i>Variance<br/>favorable<br/>(unfavorable)</i></u> |
|--|-----------------------------------|----------------------------------|----------------------|--|
| <b>EXPENDITURES (Continued)</b>                  |                                   |                                  |                      |  |
| Culture and recreation - parks and<br>recreation | <u>\$ 17,694</u>                  | <u>\$ 17,694</u>                 | <u>\$ 21,263</u>     | <u>\$ (3,569)</u>                                      |
| Capital outlay                                   | <u>-</u>                          | <u>-</u>                         | <u>6,944</u>         | <u>(6,944)</u>   |
| Total expenditures                               | <u>326,235</u>                    | <u>326,235</u>                   | <u>316,718</u>       | <u>9,517</u>   |
| <b>NET CHANGE IN FUND BALANCES</b>               | <u>-</u>                          | <u>-</u>                         | <u>6,383</u>         | <u>6,383</u>   |
| <b>FUND BALANCES - BEGINNING</b>                 | <u>184,019</u>                    | <u>184,019</u>                   | <u>184,019</u>       | <u>-</u>   |
| <b>FUND BALANCES - ENDING</b>                    | <u>\$ 184,019</u>                 | <u>\$ 184,019</u>                | <u>\$ 190,402</u>    | <u>\$ 6,383</u>  |

**City of Gobles**

**BUDGETARY COMPARISON SCHEDULE - Major Street Fund**

Year ended June 30, 2007

|   | <u>Original<br/>budget</u> | <u>Amended<br/>budget</u> | <u>Actual</u>     | <u>Variance<br/>favorable<br/>(unfavorable)</u> |
|---|----------------------------|---------------------------|-------------------|---|
| <b>REVENUES</b>                                 |                            |                           |                   |   |
| State grants                                    | \$ 54,000                  | \$ 54,000                 | \$ 51,350         | \$ (2,650)                                      |
| Contribution from Van Buren County              | -                          | -                         | 8,500             | 8,500   |
| Interest income                                 | 380                        | 380                       | 515               | 135   |
|   | <u>54,380</u>              | <u>54,380</u>             | <u>60,365</u>     | <u>5,985</u>                                    |
| Total revenues                                  |                            |                           |                   |   |
| <b>EXPENDITURES</b>                             |                            |                           |                   |   |
| Public works:                                   |                            |                           |                   |   |
| Preservation                                    | 32,007                     | 32,007                    | 16,322            | 15,685  |
| Traffic services                                | 10,153                     | 10,153                    | 3,573             | 6,580   |
| Winter maintenance                              | 9,320                      | 9,320                     | 7,298             | 2,022   |
| Administration                                  | 400                        | 400                       | 500               | (100)   |
|   | <u>51,880</u>              | <u>51,880</u>             | <u>27,693</u>     | <u>24,187</u>                                   |
| Total expenditures                              |                            |                           |                   |   |
| <b>EXCESS OF REVENUES<br/>OVER EXPENDITURES</b> | 2,500                      | 2,500                     | 32,672            | 30,172  |
| <b>OTHER FINANCING USES</b>                     |                            |                           |                   |   |
| Transfer out                                    | <u>(2,500)</u>             | <u>(2,500)</u>            | <u>-</u>          | <u>2,500</u>                                    |
| <b>NET CHANGE IN FUND BALANCES</b>              | -                          | -                         | 32,672            | 32,672  |
| <b>FUND BALANCES - BEGINNING</b>                | <u>89,602</u>              | <u>89,602</u>             | <u>89,602</u>     | <u>-</u>  |
| <b>FUND BALANCES - ENDING</b>                   | <u>\$ 89,602</u>           | <u>\$ 89,602</u>          | <u>\$ 122,274</u> | <u>\$ 32,672</u>                                |

## **SUPPLEMENTARY DATA**

City of Gobles

**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -  
\$1,320,000 2003 USDA WATER REVENUE BONDS**

June 30, 2007

| <u>Fiscal period</u> | <u>Interest requirements</u> |                   | <u>Maturity date</u> | <u>Principal</u>    | <u>Total requirements</u> |
|----------------------|------------------------------|-------------------|----------------------|---------------------|---------------------------|
|                      | <u>December 1</u>            | <u>June 1</u>     |                      |                     |                           |
| 2008                 | \$ 26,945                    | \$ 26,945         | 6/01/08              | \$ 15,000           | \$ 68,890                 |
| 2009                 | 26,626                       | 26,626            | 6/01/09              | 15,000              | 68,252                    |
| 2010                 | 26,308                       | 26,308            | 6/01/10              | 16,000              | 68,616                    |
| 2011                 | 25,968                       | 25,968            | 6/01/11              | 17,000              | 68,936                    |
| 2012                 | 25,606                       | 25,606            | 6/01/12              | 17,000              | 68,212                    |
| 2013                 | 25,245                       | 25,245            | 6/01/13              | 18,000              | 68,490                    |
| 2014                 | 24,863                       | 24,863            | 6/01/14              | 19,000              | 68,726                    |
| 2015                 | 24,459                       | 24,459            | 6/01/15              | 20,000              | 68,918                    |
| 2016                 | 24,034                       | 24,034            | 6/01/16              | 21,000              | 69,068                    |
| 2017                 | 23,588                       | 23,588            | 6/01/17              | 22,000              | 69,176                    |
| 2018                 | 23,120                       | 23,120            | 6/01/18              | 23,000              | 69,240                    |
| 2019                 | 22,631                       | 22,631            | 6/01/19              | 24,000              | 69,262                    |
| 2020                 | 22,121                       | 22,121            | 6/01/20              | 25,000              | 69,242                    |
| 2021                 | 21,590                       | 21,590            | 6/01/21              | 26,000              | 69,180                    |
| 2022                 | 21,038                       | 21,038            | 6/01/22              | 27,000              | 69,076                    |
| 2023                 | 20,464                       | 20,464            | 6/01/23              | 28,000              | 68,928                    |
| 2024                 | 19,869                       | 19,869            | 6/01/24              | 30,000              | 69,738                    |
| 2025                 | 19,231                       | 19,231            | 6/01/25              | 31,000              | 69,462                    |
| 2026                 | 18,573                       | 18,573            | 6/01/26              | 32,000              | 69,146                    |
| 2027                 | 17,893                       | 17,893            | 6/01/27              | 34,000              | 69,786                    |
| 2028                 | 17,170                       | 17,170            | 6/01/28              | 36,000              | 70,340                    |
| 2029                 | 16,405                       | 16,405            | 6/01/29              | 37,000              | 69,810                    |
| 2030                 | 15,619                       | 15,619            | 6/01/30              | 39,000              | 70,238                    |
| 2031                 | 14,790                       | 14,790            | 6/01/31              | 41,000              | 70,580                    |
| 2032                 | 13,919                       | 13,919            | 6/01/32              | 42,000              | 69,838                    |
| 2033                 | 13,026                       | 13,026            | 6/01/33              | 44,000              | 70,052                    |
| 2034                 | 12,091                       | 12,091            | 6/01/34              | 46,000              | 70,182                    |
| 2035                 | 11,114                       | 11,114            | 6/01/35              | 48,000              | 70,228                    |
| 2036                 | 10,094                       | 10,094            | 6/01/36              | 51,000              | 71,188                    |
| 2037                 | 9,010                        | 9,010             | 6/01/37              | 53,000              | 71,020                    |
| 2038                 | 7,884                        | 7,884             | 6/01/38              | 55,000              | 70,768                    |
| 2039                 | 6,715                        | 6,715             | 6/01/39              | 58,000              | 71,430                    |
| 2040                 | 5,483                        | 5,483             | 6/01/40              | 60,000              | 70,966                    |
| 2041                 | 4,208                        | 4,208             | 6/01/41              | 63,000              | 71,416                    |
| 2042                 | 2,869                        | 2,869             | 6/01/42              | 66,000              | 71,738                    |
| 2043                 | 1,466                        | 1,466             | 6/01/43              | 69,000              | 71,932                    |
|                      | <u>\$ 622,035</u>            | <u>\$ 622,035</u> |                      | <u>\$ 1,268,000</u> | <u>\$ 2,512,070</u>       |

## 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*

City Commission  
City of Gobles, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gobles, Michigan, as of and for the year ended June 30, 2007, and have issued our report thereon dated February 13, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 City of Gobles' 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 City of Gobles' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Gobles' internal control over financial reporting.

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 City of Gobles' 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 City of Gobles' financial statements that is more than inconsequential will not be prevented or detected by the City of Gobles' internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

- The City's cash accounts were not reconciled to their respective general ledger control accounts in a timely manner. Enterprise fund receivable balances for utility charges were not reconciled to their respective general ledger control accounts in a timely manner.
- Monitoring procedures over control activities are not in place. Monitoring provides feedback as to the effectiveness of controls.
- The City does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, to record changes in capital assets and related capital debt, and to present required financial statement disclosures.

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 City of Gobles' 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 all of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the City Commission, 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.

*Sigfried Crandall P.C.*

February 13, 2008

**City Commission  
City of Gobles**

In planning and performing our audit of the financial statements of the City of Gobles, Michigan, as of and for the year ended June 30, 2007, in accordance with U.S. generally accepted auditing standards, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they had been implemented, but it did not include procedures to test the operating effectiveness of controls, and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we have identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the City's ability to initiate, 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 City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control. We believe that the following deficiencies constitute material weaknesses.

- The City's cash accounts were not reconciled to their respective general ledger control accounts in a timely manner.
- Enterprise fund receivable balances for utility charges were not reconciled to their respective general ledger control accounts in a timely manner.
- Monitoring procedures over control activities are not in place. Monitoring provides feedback as to the effectiveness of controls.



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- Policies and procedures to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, changes in capital assets and related debt, and to develop appropriate footnote disclosures were not in place. As in prior years, the City has relied upon our firm as auditor to identify and develop material adjustments necessary to convert cash basis financial statements into full accrual financial statements and to prepare the financial statements and appropriate disclosures. This service is allowable under current auditing standards and ethical guidelines, and may be the most efficient and effective method for preparation of the City's financial statements. However, when an organization (on its own) lacks the ability to produce financial statements that conform to generally accepted accounting principles, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses. We recommend that management and those charged with governance evaluate and document their informed decision on the costs and benefits of contracting financial statement preparation services with its auditor.

This report is intended solely for the information and use of management, the City Commission, and the Department of Treasury of the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

*Sigfried Crandall P.C.*

February 13, 2008