

VILLAGE OF ELBERTA
ELBERTA, MICHIGAN

For Year Ended
February 28, 2011

AUDIT

GABRIDGE, WILSON CPA
PO Box 205
Interlochen, MI 49643
(231) 276-7668

VILLAGE OF ELBERTA
TABLE OF CONTENTS

1	INTRODUCTORY SECTION
2-3	Independent Auditor's report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with Government Auditing Standards
4	FINANCIAL SECTION
5	Independent Auditor's Report
6-8	MANAGEMENT DISCUSSION AND ANALYSIS
9	Statement of Net Assets
10	Statement of Activities
11	Balance Sheet - Governmental Funds
12	Statement of Revenue, Expenditures and Changes in Fund Balance - Governmental Funds
13	Combined Balance Sheet - All Enterprise Fund Types
14	Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - All Enterprise Fund Types
15	Combined Statement of Cash Flows - All Enterprise Fund Types
16-23	Notes to Financial Statements
24	SUPPLEMENTAL STATEMENTS:
25	Supplemental Letter
26	GENERAL FUND
27	Comparative Statement of Revenues, Expenditures and Changes in Fund Balance - Budget vs. Actual

- 28 Combining Comparative Balance Sheet All Non Major Funds
- 29 Combining Comparative State of Revenues, Expenditures and Changes in Fund Balance - All Non Major Funds
- 30 Comparative Balance Sheet - Major Street
- 31 Comparative Statement of Revenues, Expenditures and Changes in Fund Balance Budget vs. Actual - Major Street
- 32 Comparative Balance Sheet - Local Street
- 33 Comparative Statement of Revenues, Expenditures and Changes in Fund Balance Budget vs. Actual - Local Street
- 34 Comparative Balance Sheet - Liquor Control Fund
- 35 Comparative Statement of Revenues, Expenditures and Changes in Fund Balance Budget vs. Actual - Liquor Control Fund
- 36 Comparative Balance Sheet - Parks and Recreation Fund
- 37 Comparative Statement of Revenues, Expenditures and Changes in Fund Balance - Parks and Recreation Fund
- 38 Comparative Balance Sheet - Parks Fund
- 39 Comparative Statement of Revenues, Expenditures and Changes in Fund Balance - Parks Fund
- 40 ENTERPRISE FUNDS
- 41 Combining Comparative Balance Sheet All Non Major Enterprise Funds
- 42 Combining Comparative State of Revenues, Expenditures and Changes in Retained Earnings - All Non Major Enterprise Funds
- 43 Combining Statement of Cash Flows - All Non Major Enterprise Funds

INTRODUCTORY SECTION

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

Village of Elberta Council
Elberta, Michigan

We have audited the financial statements of Village of Elberta as of and for the year ended February 28, 2011, and have issued our report thereon dated May 27, 2011. 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 Village of Elberta's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Village of Elberta's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Village of Elberta's internal control over financial reporting.

Our consideration of internal control over financial reporting and internal control over compliance 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.

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

- Documentation for the Parks and Recreation Fund was minimal. The check register by itself is not adequate back-up to expenses. No receipts or canceled invoices were available. There was a significant lack of documentation for expenditures, most significantly checks written to "Cash". This is not an appropriate way to control expenses.

Recommendation - All expenditures and checks should be run through the supervision of the Governmental Unit, more specifically, the Treasurer.

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

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

Compliance and Other Matters

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

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

Interlochen, MI
May 27, 2011

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Village of Elberta Council
Elberta, Michigan

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of the Village of Elberta, as of and for the year ended February 28, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Elberta'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 and the aggregate remaining fund information of the Village of Elberta as of February 28, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with Government Auditing Standards, we have also issued our report dated May 27, 2011, on our consideration of the Village of Elberta's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Interlochen, MI
May 27, 2011

Village of Elberta

Management Discussion and Analysis

This discussion and analysis provides an overview of the Village's financial activities for the fiscal year ended February 28, 2011. Please read it in conjunction with the Village's financial statements.

Financial Highlights:

- The Village's net assets changed significantly with a 131 percent increase. This was due mainly to the sale of the Marina Dockominiums. Without that sale the increase would have still been a considerable increase of 13 percent.

Using this Annual Report:

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Fund Financial Statements present a short-term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund Financial Statements also report the Village's operations in more detail than the Government-Wide Financial Statements by providing information about the Village's most significant funds. The Fiduciary Fund Statements provide financial information about activities for which the Village acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Village's Most Significant Funds:

1. Government Fund Types use modified accrual basis and include -

The *general funds* account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

The *special revenue funds* account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of funds.

2. Fiduciary fund types include -

The *Trust and Agency Fund* is unbudgeted and accounts for activities within those areas where the Village is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Village.

3. Proprietary fund types include -

The *enterprise funds* use the full accrual basis for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Village as a Whole:

The following table shows current year net assets:

Assets	
Cash	258,301
Other Current Assets	131,772
Capital Assets Net	<u>2,877,299</u>
Total Assets	3,267,372
Liabilities and Net Assets	
Liabilities	338,190
Net Assets	<u>2,929,182</u>
Total Liabilities and Net Assets	3,267,372
Revenues	
Taxes	135,856
State Grants	79,866
Brownfield Grant	14,009
Investment/Rent Earnings	44,284
Charges for Services	201,932
Other	<u>110,191</u>
Total Revenue	586,138
Expenditure	<u>500,176</u>
Excess Revenue	85,962

The Village's Funds:

Our analysis of the Village's major funds begins in the supplemental data following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax millages.

The General Fund pays for most of the Village's governmental services. The amount transferred from the General Fund to other funds is supported by an operational budget approved by the Village Board and included the use of reserve funds.

General Fund Budgetary Highlights:

Over the course of the year the Village Board was able to maintain the Village departments within their prescribed budgets.

Capital Asset and Debt Administration:

Capital Assets

The Village made no new Capital purchases this year.

	Asset	Depreciation	Accumulated Depreciation
General Fixed Assets			
Buildings	681,597	16,307	242,818
Land	246,101	0	0
Equipment	<u>156,711</u>	<u>4,883</u>	<u>142,066</u>
Total General Fixed Assets	1,084,409	21,190	384,884

Debt

The Village acquired no additional debt in 2011. Changes in the long-term debt schedules are below:

Bonds Payable	Beginning	Additions	Retirements	Ending
Sewer bond	124,000	0	3,000	121,000
General Obligation	160,000	0	3,000	157,000

Economic Factors and Next Year's Budgets and Rates:

Elberta Village's 2011-2012 budget calls for the allocated millages to support general operating and roads.

General Overview of the Accomplishments of Elberta Village in the 2010-2011 Fiscal Year:

The Village finances have been managed more closely during this fiscal year. The General Fund balance saw a significant increase. The General Fund balance went from (\$808,119) to (\$539,726) for an increase of \$268,393.

Contacting the Village's Management:

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact our office at (231) 352-7201.

VILLAGE OF ELBERTA
Statement of Net Assets
February 28, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash, investments and cash equivalents	(\$252,031)	\$510,332	\$258,301
Receivables (net)	16,638	47,167	63,805
Prepaid Expenditures	4,768		4,768
Internal balances	39,641	23,558	63,199
Construction in Progress		0	0
Capital Assets, net	738,625	2,138,674	2,877,299
Total Assets	<u>547,641</u>	<u>2,719,731</u>	<u>3,267,372</u>
LIABILITIES			
Accounts payable	10,220	10,743	20,963
Deferred revenue	55,646	3,974	59,620
Due to Other Agencies	439	2,699	3,138
Noncurrent liabilities			
Due within one year		3,000	3,000
Due in more than one year		251,469	251,469
Total Liabilities	<u>66,305</u>	<u>271,885</u>	<u>338,190</u>
NET ASSETS			
Invested in capital assets, net of related debt	738,625		738,625
Restricted for:			
Capital projects			0
Debt Service		33,067	33,067
Unrestricted (deficit)	(257,289)	2,414,779	2,157,490
Total Net Assets	<u>481,336</u>	<u>2,447,846</u>	<u>2,929,182</u>
Total Liabilities and Net Assets	<u>\$547,641</u>	<u>\$2,719,731</u>	<u>\$3,267,372</u>

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 28, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	
Primary government						
Governmental activities:						
Legislative	\$4,890	\$395			(\$4,495)	(\$4,495)
General government	95,837	35,592		0	(60,245)	(60,245)
Public safety	77,807	0			(77,807)	(77,807)
Public works	77,945				(77,945)	(77,945)
Health and Welfare	0				0	0
Community and Economic Development	0				0	0
Recreation and Culture	0				0	0
Other	30,721				(30,721)	(30,721)
Depreciation	21,189				(21,189)	(21,189)
Total Governmental Activities	308,389	35,987	0	0	(272,402)	(272,402)
Business Type Activities						
Enterprise Funds	191,787	165,945		62,257		36,415
Total Primary Government	500,176	201,932	0	62,257	(272,402)	36,415
Component Unit						
EDC	\$0		\$0			\$0

General revenues:		
Taxes		
Property Taxes-general	\$101,845	\$135,856
Property Taxes-debt service	0	0
State-Shared Revenues	79,866	79,866
Unrestricted Investment Earnings	57,968	44,284
Franchise taxes	0	0
Grants	14,009	14,009
Miscellaneous	44,184	47,934
Transfers	0	0
Total General Revenues-Special Items and Transfers	297,872	321,949
Changes in Net Assets	25,470	85,962
Net Assets - Beginning	208,947	2,835,488
Merged Fund Balances	246,919	(239,187)
Net Assets - Ending	\$481,336	\$2,929,182

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA
BALANCE SHEET
GOVERNMENTAL FUNDS
FEBRUARY 28, 2011

	General Fund	Major Street Fund	Local Street Fund	Other Non-major Funds	Total
ASSETS					
Cash, investments and cash equivalents	(\$497,125)	\$69,559	\$163,688	\$11,847	(\$252,031)
Receivables (net)	10,438	5,334	904	(38)	16,638
Prepaid Expenditures	2,748		2,020		4,768
Internal balances	7,974		4,103	27,564	39,641
Inventories					0
Capital Assets, net					0
Total Assets	(\$475,965)	74,893	170,715	39,373	(190,984)
LIABILITIES					
Accounts payable	9,148	0	70	1,002	10,220
Internal balances	53,213				53,213
Accrued payables	439				439
Deferred revenue	961	69	1,403	0	2,433
Noncurrent liabilities:					
Due within one year					
Due in more than one year					
Total Liabilities	63,761	69	1,473	1,002	66,305
NET ASSETS					
Invested in capital assets, net of related debt					
Restricted for:					
Capital projects					0
Debt Service					0
Unrestricted (deficit)	(539,726)	74,824	169,242	38,371	(257,289)
Total Net Assets	(539,726)	74,824	169,242	38,371	(257,289)
Total Liabilities and Net Assets	(\$475,965)	\$74,893	\$170,715	\$39,373	(\$190,984)

Amounts reported for Governmental Funds Balance Sheet are different because:

Balance per above	(257,289)	
Add Capital Assets	738,625	
Less Current Portion of Long Term Debt		
Balance per Statement of Net Assets		\$481,336

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED FEBRUARY 28, 2011

	General Fund	Major Street Fund	Local Street Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes and Penalties	\$73,914		\$27,931		\$101,845
Licenses and Permits	395				395
Brownfield Grants	14,009			0	14,009
State Grants	44,356	21,288	14,222	0	79,866
Charges for Services	35,592				35,592
Fines and Forfeits					0
Interest and Rentals	20,578	20	20	37,350	57,968
Other Revenue	23,398			20,786	44,184
Total Revenues	212,242	21,308	42,173	58,136	333,859
Expenditures					
Current					
Legislative	4,890				4,890
General Government	95,837				95,837
Public Safety	77,807			0	77,807
Public Works	12,234	25,109	30,261	10,341	77,945
Health and Welfare					0
Recreation and Cultural	0				0
Other	0			36,721	36,721
Capital Outlay				0	0
Debt Service	0				0
Total Expenditures	190,768	25,109	30,261	47,062	293,200
Excess of Revenues Over (Under) Expenditures	21,474	(3,801)	11,912	11,074	40,659
Other Financing Sources (Uses)					
Transfers In	0			0	0
Transfers (Out)	0			0	0
Bond Proceeds	0				0
Total Other Financing Sources (Uses)	0	0	0	0	0
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	21,474	(3,801)	11,912	11,074	40,659
Fund Balance March 1, 2010	(808,119)	78,625	157,330	27,297	(544,867)
Merging of Fund balances	246,919				246,919
Fund Balance February 28, 2011	(\$539,726)	\$74,824	\$169,242	\$38,371	(\$257,289)

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

Net Change in Fund Balances - Total Governmental Funds	\$40,659
Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimate useful lives as depreciation.	\$0
Repayment of bond principal is an expenditure in governmental funds, but not in the statement of activities.	6,000
Depreciation Expensed	<u>21,189</u>
Change in Net Assets of Governmental Activities	\$25,470

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA, MICHIGAN
 Combined Balance Sheet
 Enterprise Funds
 February 28, 2011

	Sewer Fund	Non Major Funds	Total
ASSETS			
Cash	\$520,404	(\$10,072)	\$510,332
Account Receivable - Trade	29,640	12,607	42,247
Account Receivable - Grant	0	0	0
Due From Other Funds	11,118	12,440	23,558
Taxes Receivable	4,920	0	4,920
Construction In Progress	0	0	0
Property, Plant & Equipment	2,108,752	537,127	2,645,879
Less: Accumulated Depreciation	(344,605)	(162,600)	(507,205)
Total Assets	2,330,229	389,502	2,719,731
LIABILITIES AND FUND EQUITY			
LIABILITIES:			
Accounts Payable	7,341	990	8,331
Deferred Revenue	3,974	0	3,974
Security Deposits	0	0	0
Accrued Interest Payable	2,412	0	2,412
Due To Other Funds	2,267	432	2,699
Bonds Payable	254,469	0	254,469
Total Liabilities	270,463	1,422	271,885
FUND EQUITY:			
Retained Earnings			
Unreserved	2,026,699	388,080	2,414,779
Reserved	33,067	0	33,067
Total Fund Equity	2,059,766	388,080	2,447,846
Total Liabilities and Fund Equity	\$2,330,229	\$389,502	\$2,719,731

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA, MICHIGAN
 Combined Statement of Revenues, Expenses and Changes in Retained Earnings
 Enterprise Funds
 For the Twelve Months Ended February 28, 2011

	Sewer Fund	Non Major Fund	Total
OPERATING REVENUES			
Charges for Service	\$127,174	\$38,771	\$165,945
Tax Assessments	34,011	0	34,011
Refunds and Other	3,750	0	3,750
	<hr/>		
Total Revenues	164,935	38,771	203,706
OPERATING EXPENDITURES			
Operations and Maintenance	88,587	44,011	132,598
Interest Expense	0	0	0
Administration	14,363	17,236	31,599
Depreciation and Amortization	16,847	10,743	27,590
	<hr/>		
Total Expenditures	119,797	71,990	191,787
OPERATING INCOME (LOSS)	45,138	(33,219)	11,919
NON-OPERATING INCOME (EXPENSE)			
Interest on Investments	556	0	556
Proceeds from Sale	0	62,257	62,257
Transfers In (Out)	0	0	0
Bond Interest and Fees	(14,240)	0	(14,240)
	<hr/>		
Total Non-Operating Income (Expenses)	(13,684)	62,257	48,573
NET INCOME (LOSS)	31,454	29,038	60,492
RETAINED EARNINGS, BEGINNING	2,028,312	598,229	2,626,541
	<hr/>		
Fund Transfer to General Fund		(239,187)	
RETAINED EARNINGS, ENDING	\$2,059,766	\$388,080	\$2,447,846
	<hr/>		

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA, MICHIGAN
Combining Statement of Cash Flows
All Enterprise Funds
For the Year Ended February 28, 2011

	Sewer Fund	Water Fund	Rubbish Fund	Marina Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Net Operating Income	45,138	(\$24,738)	(\$4,897)	(\$3,584)	\$11,919
Adjustment to Reconcile Net Operating Income to Net Cash Provided by Operating Activities					
Depreciation	16,847	10,743	0	0	27,590
(Increase) Decrease in Account Receivable - Trade	1,127	(25)			1,102
(Increase) Decrease in Grant Receivable	0	0			0
(Increase) Decrease in Property Taxes Receivable	0				0
(Increase) Decrease in Due From Other Funds	0		0		0
Increase (Decrease) in Deferred Revenue	0				0
Increase (Decrease) in Accounts Payable	(5,047)	(146)	(1,249)	(30)	(6,472)
Increase (Decrease) In Due To Other Funds	0	0			0
Increase (Decrease) in Accrued Interest Payable	0				0
Net Cash Provided by Operating Activities	58,065	(14,166)	(6,146)	(3,614)	34,139
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on Investments	556	0	0	0	556
Transfers in			0		0
Acquisition (Sale) of Capital Assets					0
Net Cash Provided by Investing Activities	556	0	0	0	556
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid on Long-Term Debt	(14,240)	0	0	0	(14,240)
Principal paid on Long-Term Debt	(6,000)				(6,000)
Proceeds from Sale of Assets	0	0		62,257	62,257
Net Cash Used by Financing Activities	(20,240)	0	0	62,257	42,017
TRANSFERS IN (OUT)	0			0	0
NET INCREASE IN CASH AND EQUIVALENTS	38,381	(14,166)	(6,146)	58,643	76,712
CASH AND EQUIVALENTS, BEGINNING	482,023	22,400	(12,160)	180,544	672,807
Fund Merged to General fund				(239,187)	
CASH AND EQUIVALENTS, ENDING	\$520,404	\$8,234	(\$18,306)	\$0	\$749,519

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Elberta, Benzie County, was incorporated in 1894 and covers an area of approximately 3.5 square miles. The Village operates under an elected Village Council of 7 members and provides services to its more than 480 residents in many areas including fire protection, water and sewer services, community enrichment and development, and human services.

PRESENTATION

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. 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 significantly on fees and charges for support.

The statement of activities demonstrates the degree direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or recipients who purchase, use, or benefit from the goods and services provided by the various function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are 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.

REPORTING ENTITY

As defined by the Governmental Accounting Standards Board Statement 1, all relevant criteria was reviewed in an attempt to decide if other entities ought to be included in this audit report. If certain oversight responsibility occurs, that subordinate entity activity should be noted in this report. Oversight responsibility is evidenced by:

- selection of governing authority
- designation of management
- ability to significantly influence operations
- budgetary authority
- responsibility to fund deficits or receive surplus funds
- fiscal management
- providing significant subsidies

Based on our review, conducted in accordance with GASB 14 and Michigan Department of Treasury Statement on Michigan Governmental Accounting and Auditing No 5, there are no component units in the Village. The Parks and Rec Commission is appointed by the Board and as such is controlled by the Village. Hence, while it operates as a separate commission it is presented as a special revenue fund of the Village.

BASIS OF PRESENTATION

The financial activities of the local unit are recorded in separate funds, categorized and described as follows:

GOVERNMENTAL FUND TYPES

General Fund - This fund is used to account for all financial transactions not accounted for in another fund, included the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other intergovernmental revenues.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted for specific purposes. These funds include the Major and Local Street Funds, Liquor Control Fund, Park Fund, and Parks & Recreation Fund.

PROPRIETARY FUND TYPE

Enterprise Funds - These funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The Village's Sewer, Water and Rubbish Funds are Enterprise Funds.

MEASUREMENT FOCUS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and Trust and Agency 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.

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 to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. 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.

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

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

BASIS OF ACCOUNTING

All governmental funds utilize the modified accrual basis of accounting as described in GASB #1 and reports in accordance with GASB #34. Under this method, revenues are recognized when received in cash except for those susceptible to accrual, which are recorded as receivable.

Significant revenues susceptible to accrual include property taxes, expenditures, reimbursement type grants, certain intergovernmental revenues and operating transfers. Expenditures are recorded when the liability is incurred, except for interest on long-term debt, which is recorded when paid.

The financial statements of proprietary funds are reflected on the accrual basis and recorded as incurred.

USE OF ESTIMATES

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

BUDGETS AND BUDGETARY ACCOUNTING

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the financial statements for these were prepared on a basis not significantly different from modified accrual basis used to reflect actual results.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an account or line-item basis. The approved budgets of the Village for these budgetary funds were adopted to the activity level, or by total fund revenue/expenditures for the smaller funds.

ACCUMULATED FUND DEFICITS

The General Fund has had an accumulated deficit. This has been created through the payment for capital items in regards to the community park renovation project. The fund deficit totaled \$539,726.

COMPARATIVE DATA

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Villages financial position and operations.

SICK AND VACATION LEAVE

Village employees can accumulate six (6) sick days annually. Sick leave is non-cumulative and must be used by fiscal year end or it is lost without reimbursement to the employee.

Vacation leave is accumulated by Village employees at the rate of one (1) week per year for one through five years of service with the Village, two (2) weeks per year for six through ten years of service and three (3) weeks per year for employees with more than ten years of service with the Village. Village employees are eligible for vacation leave after 100 days of service with the Village. The vacation time is used within the current fiscal year.

PENSION/RETIREMENT PLAN

The Village does not provides a pension plan for employees or council members but makes contributions through contribution to an IRS Code Section 457 plan which is maintained by ICMA Retirement Corporation. There are no post retirement benefits.

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal or Contractual Provisions for Deposits and Investments

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Authority by which Treasurers may invest funds and includes the following:

- a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d) Repurchase agreements consisting of instruments listed in subdivision (a).
- e) Bankers' acceptances of United States banks.
- f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- g) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 USC 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - i) The purchase of securities on a when-issued or delayed delivery basis.
 - ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967.
- i) Investment pools organized under the surplus funds investment pool act, 1982 PA 367.
- j) The investment pools organized under the local government investment pool act, 1985 PA 121. In bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States, in which the principal and interest is fully guaranteed by the United States.

- B. Types of Deposits: The Village maintains it's cash deposits in four institutions. The following table categorizes the Village's deposits into the various degrees of security associated with the deposits:

	<u>Checking and Savings</u>	<u>FDIC Insured</u>
Checking	105,855	105,855
Insured- Mmkt Fund	5,489	5,489
Debt Retirement	22,782	22,782
Savings	50,041	50,041
Grant Accounts	22,543	22,543
USDA	94	94
Health Reimb Plan	788	788
Tax Account	<u>0</u>	<u>0</u>
Total	207,592	207,592

Certificates of Deposit	53,550	53,550
-------------------------	--------	--------

The fair market value of the certificates of deposit approximates the face value.

NOTE 3 - INVENTORIES

The village does not maintain any material inventories.

NOTE 4 - PROPERTY TAX RECOGNITION

Generally accepted accounting principles require revenues to be recognized in the accounting period in which they become measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For property taxes this is deemed to be received within 60 days. The remainder of an delinquent receivables for property tax are classified as Deferred Taxes rather than revenue. Properties are assessed as of December 31, and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 15, with the final collection date of September 14 before they are added to the County tax delinquent rolls.

NOTE 5 - SEWER SYSTEM BONDS

On October 4 1989, the Village Council approved the sale of \$164,000 General Obligation Unlimited Tax Sewage Disposal System Bonds series 1989. The bonds are to be repaid with principal payments due on October 1 of each year and interest at 6% to be paid semi-annually.

Amounts needed to amortize the debt through the year 2029 are as follows:

Fiscal Year	Principal	Interest	Total Requirement
2011	4,000	7,260	11,260
2012	4,000	7,020	11,020
2013	4,000	6,780	10,780
2014	5,000	6,540	11,540
2015	5,000	6,240	11,240
2016-2020	30,000	26,340	56,340
2021-2025	37,000	16,440	53,440
2026-2029	32,000	4,800	36,800
Total	<u>121,000</u>	<u>81,420</u>	<u>202,420</u>
Debt Beginning of Year		124,000	
Payment		<u>(3,000)</u>	
Debt at end of Year		<u>121,000</u>	

On November 15, 2005, the Village Council approved the sale of \$172,000 General Obligation Limited Tax Bonds series 2005. The Bonds are to be repaid annually with interest at 4.25% and principal as listed below:

Fiscal Year	Principal	Interest	Total
2011	3,000	6,673	9,673
2012	3,000	6,545	9,545
2013	3,000	6,417	9,417
2014	3,500	6,280	9,780
2015	3,500	6,141	9,641
2016-2020	17,500	28,475	45,975
2021-2025	19,500	24,629	44,129
2026-2030	21,500	20,336	41,836
2031-2035	23,500	16,554	40,054
2036-2040	24,000	15,555	39,555
2041-2045	<u>28,000</u>	<u>10,158</u>	<u>38,158</u>
	157,000	135,150	292,150
Debt Beginning of Year		160,000	
Payment		<u>(3,000)</u>	
Debt at end of Year		<u>157,000</u>	

NOTE 6 - INTERFUND RECEIVABLE AND PAYABLE

The following are the interfund receivable and payables at February 28, 2011.

	<u>Due To</u>	<u>Due From</u>
General Fund:	Water Fund 5,000 Sewer Fund 11,118 Rubbish Fund 7,440 Major Street 1,619 Local Street 904 Liquor Control 27,564	Sewer Fund 2,267
Sewer Fund:	General Fund 2,267	General Fund 11,118
Rubbish Fund:		General Fund 7,440
Water Fund:		General Fund 5,000
Major Street:		General Fund 1,619
Local Street:		General Fund 904
Liquor Control:		General Fund 27,564

Most of these interfund loans were created during the period of time when there were "charge backs" between funds.

NOTE 7 - TRANSFERS

There were no transfers this year.

NOTE 8 - ACCOUNTS RECEIVABLE AND DUE FROM OTHER GOVERNMENTAL UNITS

Following is a schedule of receivables at February 28, 2011:

General Fund	
Taxes	<u>10,260</u>
Total General Fund	10,260
Special Revenue Funds	
Receivable	5,735
Taxes	<u>4,103</u>
Total Special Revenue Funds	9,838
Enterprise Funds	
Taxes	4,920
Utility customers receivable	<u>29,640</u>
Total Enterprise Funds	34,560

NOTE 9 - CAPITAL ASSETS

General Fixed Assets have been acquired for general Village purposes and at the time of purchase were recorded as expenditures. The assets have been capitalized and are reported in the Statement of Fixed Assets and Depreciation.

	Assets			Accumulated Depreciation				
	Balance	Additions	Deletions	Balance	Balance	Additions	Deletions	Balance
Real Estate	289,206		75	289,131				
Buildings	681,597			681,597	235,325	16,307		251,632
Equipment	<u>156,711</u>			<u>156,711</u>	<u>132,300</u>	<u>4,883</u>		<u>137,183</u>
Total	1,127,514		75	1,127,439	367,625	21,190		388,815

Enterprise Fund Fixed Assets

	Assets			Accumulated Depreciation				
	Balance	Additions	Deletions	Balance	Balance	Additions	Deletions	Balance
Water Fund	537,127			537,127	151,857	10,743		162,600
Sewer Fund	1,170,566	938,186		2,108,752	327,758	16,847		344,605
Marina	<u>75,676</u>		<u>75,676</u>	<u>0</u>	<u>75,676</u>	<u>0</u>	<u>75,676</u>	<u>0</u>
Total	1,783,369	938,186	75,676	2,645,879	555,291	27,590	75,676	507,205

NOTE 10 - RETAINED EARNINGS AND PRIOR PERIOD ADJUSTMENTS

The \$33,068 represents equity reserved for Retirement of Bond Debt.

NOTE 11 - DEFICIT FUNDS AND EXPENDITURES IN EXCESS OF APPROPRIATIONS

Public Act 621 of 1978, requires that a municipality shall not incur expenditures in excess of the monies appropriated. No activity expended amounts greater than appropriations. However, the General Fund and the Liquor Control Fund are in deficit and the deficit increased during the current fiscal year.

NOTE 12- CONTRIBUTIONS TO OTHER GOVERNMENTS

The Village of Elberta has entered into a long-term agreement with the Betsie Lake Utility Authority for the Authority to provide sewage treatment facilities. The Village's Sewer Fund is obligated to pay 30.3% of the required annual debt and reserve payments. The debt and debt structure are contained within the Betsie Lake Utility Authority which is audited annually under a separate report.

NOTE 13 - RISK MANAGEMENT

All risks are covered through the use of commercial insurance.

NOTE 14 - Merged Funds

With the sale of the Marina Dockominiums and the inactivity of the Economic Development Fund, those funds, along with their fund balances have been merged into the General Fund and have been reported as such.

SUPPLEMENTAL STATEMENTS

To the Elberta Village Council
151 Pearson St
Elberta, MI

We have audited the combined financial statements of the Village of Elberta, Michigan for the year ended February 28, 2011. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of the additional analysis and are not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.

Interlochen, MI
May 27, 2011

GENERAL FUND

VILLAGE OF ELBERTA
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the Year Ended February 28, 2010 & February 28, 2011

	Original Budget	Final Budget	2010 Actual	2011	Variance Favorable (Unfavorable)
Revenue					
Current Property Taxes	\$85,800	\$85,800	\$86,910	\$73,914	(\$11,886)
Licenses and Permits	5,000	5,000	160	395	(4,605)
State Shared Revenues	48,000	48,000	45,458	44,356	(3,644)
Insurance Paybacks	0	0	2,473	2,368	2,368
Earned Interest	1,000	1,000	225	99	(901)
Rents and Royalties	25,000	25,000	32,553	20,479	(4,521)
Charges for Service	25,000	25,000	24,173	35,592	10,592
Grant - CZM	0	0	0	0	0
Brownfield	370,000	370,000	0	14,009	(355,991)
Other Revenue	15,000	15,000	11,006	21,030	6,030
Interest CDs	0	0	0	0	0
Total Revenues	574,800	574,800	202,958	212,242	(362,558)
Expenditure					
Legislative					
Township Board:	5,200	5,200	6,675	4,890	(310)
General Government:					
Elections:	0	0	0	0	0
Assessor:	0	0	0	0	0
Clerk:	5,600	5,600	673	5,469	131
Treasurer:	7,800	7,800	6,830	6,188	1,612
Community Building:	1,900	1,936	2,292	1,925	11
Village Administration	87,232	96,687	101,738	75,709	20,978
Office:	7,350	7,350	8,874	6,546	804
Total General Government	109,882	119,373	120,407	95,837	23,536
Public Safety:					
Fire Protection:	16,820	16,845	16,637	16,241	604
Garage	69,898	70,712	71,948	61,566	9,146
Total Public Safety	86,718	87,557	88,585	77,807	9,750
Public Works:					
Street Lighting	11,000	12,234	13,650	12,234	0
Xmas Lights	0	0	0	0	0
Sidewalk Construction	0	0	0	0	0
Total Public Works	11,000	12,234	13,650	12,234	0
Grant Expenditures	370,000	370,000	0	0	0
Capital Outlay					
Payment of LTD	0	0	0	0	0
Auto offset to LTD	0	0	0	0	0
	0	0	0	0	0
Total Expenditures	582,800	594,364	229,317	190,768	32,976
Excess Revenues Over (Under) Expenditure	(8,000)	(19,564)	(26,359)	21,474	41,038
Other Financing Sources (Uses)					
Transfers Out	0	0	0	0	0
Transfers In	8,000	8,000	0	0	8,000
Excess Revenue and Other Financing Sources Over (Under) Expenditures and Other Use:	0	(11,564)	(26,359)	21,474	41,038
Fund Balance - Beginning of Year			(781,760)	(808,119)	
Funds merged into General Fund				246,919	
Fund Balance - End of Year			(\$808,119)	(\$539,726)	

VILLAGE OF ELBERTA, MICHIGAN
Combining Comparative Balance Sheet
All Non Major Funds
February 28, 2010 & February 28, 2011

	Liquor Control Fund		Parks and Recreation Fund		Park Fund		Total	
	2010	2011	2010	2011	2010	2011	2010	2011
ASSETS								
Cash	(\$25,378)	(\$24,250)	\$22,303	\$21,135	\$3,404	\$14,962	\$329	\$11,847
Due From General Fund	27,564	27,564	0	0	\$0	\$0	27,564	27,564
Due From State	0	0	0	0			0	0
Taxes Receivable	(38)	(38)	0	0			(38)	(38)
Total Assets	2,148	3,276	22,303	21,135	3,404	14,962	27,855	39,373
LIABILITIES AND FUND EQUITY								
	0	0	0	0			0	0
LIABILITIES:								
Accounts Payable	0	0	0	0	\$558	\$1,002	558	1,002
Due to Other Funds	0	0	0	0			0	0
Deferred Taxes	0	0	0	0			0	0
Total Liabilities	0	0	0	0	558	1,002	558	1,002
FUND EQUITY:								
Fund Balance:	0	0	0	0			0	0
Unreserved	2,148	3,276	22,303	21,135	2,846	13,960	27,297	38,371
Total Fund Equity	2,148	3,276	22,303	21,135	2,846	13,960	27,297	38,371
Total Liabilities and Fund Equity	\$2,148	\$3,276	\$22,303	\$21,135	\$3,404	\$14,962	\$27,855	\$39,373

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA, MICHIGAN
Combining Comparative Statement of Revenues, Expenditures and Changes in Fund Balance
All Non Major Funds
For the Year Ended February 28, 2010 & February 28, 2011

	Liquor Control Fund		Parks and Recreation Fund		Park Fund		Total	
	2010	2011	2010	2011	2010	2011	2010	2011
REVENUES								
State Shared	\$2,186	\$1,128	\$0	\$0	\$0	\$0	\$2,186	\$1,128
Fed Grants	0	0	0	0	0	0	0	\$0
Fair Proceeds Other	0	0	25,110	17,494	0	0	\$25,110	\$17,494
Rental/Interest	0	0	0	0	34,650	37,350	34,650	\$37,350
Other	0	0	1,823	2,164	0	0	\$1,823	\$2,164
Taxes	0	0	0	0	0	0	\$0	\$0
							0	
Total Revenues	2,186	1,128	26,933	19,658	34,650	37,350	\$63,769	\$58,136
							0	
EXPENDITURES								
Public Safety/Routine Maintenance	0	0	0	0	0	0	0	0
Public Safety/Winter Maintenance	0	0	0	0	0	0	0	0
Other Administration	0	0	15,718	20,826	19,437	9,240	35,155	30,066
Construction Improvements	0	0	0	0	8,239	6,655	8,239	6,655
Contracted Services	0	0	0	0	5,000	10,341	5,000	10,341
Law Enforcement		0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0	0	0
Total Expenditures	0	0	15,718	20,826	32,676	26,236	48,394	47,062
EXCESS REVENUES OVER (UNDER) EXPENDITURES								
	2,186	1,128	11,215	(1,168)	1,974	11,114	15,375	11,074
Transfer In	0	0	0	0	(4,931)	0	(4,931)	0
FUND BALANCE, BEGINNING	(38)	2,148	11,088	22,303	5,803	2,846	16,853	27,297
FUND BALANCE, ENDING	\$2,148	\$3,276	\$22,303	\$21,135	\$2,846	\$13,960	\$27,297	\$38,371

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA
 Comparative Balance Sheet
 Major Street
 For the Year Ended February 28, 2010 & February 28, 2011

	2010	2011
ASSETS		
Cash	\$73,908	\$69,559
Due From State	3,715	3,715
Due From General Fund	<u>1,619</u>	<u>1,619</u>
 Total Assets	 <u>79,242</u>	 <u>74,893</u>
 LIABILITIES & FUND BALANCE		
Liabilities	617	69
Fund Balance	<u>78,625</u>	<u>74,824</u>
 Total Liabilities & Fund Balance	 <u>\$79,242</u>	 <u>\$74,893</u>

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA
Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Major Street
For the Year Ended February 28, 2010 & February 28, 2011

	Original Budget	Amended Budget	2010 Actual	2011	Variance Favorable (Unfavorable)
REVENUES					
State Shared	\$23,200	\$23,200	\$20,112	\$21,288	(\$1,912)
Interest	100	100	59	20	(80)
Contingency	0	0	0	0	0
Total Revenues	<u>23,300</u>	<u>23,300</u>	<u>20,171</u>	<u>21,308</u>	<u>(1,992)</u>
EXPENDITURES					
Public Works:					
Administration	3,000	3,000	858	858	(2,142)
Highways, Streets and Bridges:					
Routine Maintenance	15,850	15,850	30,704	14,917	933
Winter Maintenance	6,500	6,500	7,115	9,334	(2,834)
Capital Outlay	0	0	0	0	0
Total Expenditures	<u>25,350</u>	<u>25,350</u>	<u>38,677</u>	<u>25,109</u>	<u>(4,043)</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(2,050)	(2,050)	(18,506)	(3,801)	(1,751)
Other Financing Sources (Uses)					
Transfers In	2,050	2,050		0	
Transfers Out	0	0		0	
FUND BALANCE, BEGINNING OF YEAR			<u>97,131</u>	<u>78,625</u>	
FUND BALANCE, END OF YEAR			<u>\$78,625</u>	<u>\$74,824</u>	

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA
 Comparative Balance Sheet
 Local Street
 For the Year Ended February 28, 2010 & February 28, 2011

	2010	2011
ASSETS		
Cash	\$152,324	\$163,688
Due From General Fund	904	904
Due From State	2,020	2,020
Taxes Receivable	4,103	4,103
	<hr/>	<hr/>
Total Assets	<u>\$159,351</u>	<u>\$170,715</u>
 LIABILITIES & FUND BALANCE		
Accounts Payable	\$618	\$70
Deferred Revenue	\$1,403	\$1,403
	<hr/>	<hr/>
Fund Balance	157,330	169,242
	<hr/>	<hr/>
Total Liabilities & Fund Balance	<u>\$159,351</u>	<u>\$170,715</u>

The footnotes are an integral part of these Financial Statements.

Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Local Street

For the Year Ended February 28, 2010 & February 28, 2011

REVENUES	Original Budget	Amended Budget	2010 Actual	2011	Variance Favorable (Unfavorable)
State Shared	8,000	\$8,000	\$10,933	\$14,222	\$6,222
Interest	100	100	59	20	(80)
Road Taxes	25,100	25,100	33,604	27,931	2,831
Contingency	0	0	0	0	0
Total Revenues	<u>33,200</u>	<u>33,200</u>	<u>44,596</u>	<u>42,173</u>	<u>8,973</u>
EXPENDITURES					
Public Works:					
Administration	3,500	3,500	1,121	0	3,500
Highways, Streets and Bridges:					
Routine Maintenance	18,000	18,165	29,161	14,309	3,856
Winter Maintenance	6,700	6,700	11,511	15,077	(8,377)
Contracted Services	5,000	5,000	3,307	875	4,125
Capital Outlay	0	0	0	0	0
Total Expenditures	<u>33,200</u>	<u>33,365</u>	<u>45,100</u>	<u>30,261</u>	<u>3,104</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES		(165)	(504)	11,912	12,077
Other Financing Sources / (Uses)					
Transfer in	0	0	0	0	
Transfer Out	(9,450)	(9,450)	0	0	
FUND BALANCE, BEGINNING OF YEAR			157,834	157,330	
FUND BALANCE, END OF YEAR			<u>\$157,330</u>	<u>\$169,242</u>	

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA
 Comparative Balance Sheet
 Liquor Control Fund
 For the Year Ended February 28, 2010 & February 28, 2011

	2010	2011
ASSETS		
Cash	(\$25,378)	(\$24,250)
Prepaid Expenditures	(38)	(38)
Due From General Fund	<u>27,564</u>	<u>27,564</u>
 Total Assets	 <u>2,148</u>	 <u>3,276</u>
 LIABILITIES & FUND BALANCE		
 Fund Balance	 <u>\$2,148</u>	 <u>\$3,276</u>

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA
Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Liquor Control Fund
For the Year Ended February 28, 2010 & February 28, 2011

REVENUES	Original Budget	Amended Budget	2010 Actual	2011 Actual	Variance Favorable (Unfavorable)
State Grant	\$1,000	\$1,000	\$2,186	\$1,128	\$128
Interest	0	0	0	0	0
Contingency	0	0	0	0	0
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>2,186</u>	<u>1,128</u>	<u>128</u>
EXPENDITURES					
Contracted Labor	0	0	0	0	0
Insurance	0	0	0	0	0
Miscellaneous	0	0	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	1,000	1,000	2,186	1,128	128
Other Financing Sources/(Uses)					
Transfers In		0	0	0	
Transfers Out	1,000	1,000	0	0	
FUND BALANCE, BEGINNING OF YEAR			<u>(38)</u>	<u>2,148</u>	
FUND BALANCE, END OF YEAR			<u>\$2,148</u>	<u>\$3,276</u>	

The footnotes are an integral part of these Financial Statements.

THE VILLAGE OF ELBERTA
 Comparative Balance Sheet
 Parks and Recreation Fund
 For the Year Ended February 28, 2010 & 2011

ASSETS	<u>2010</u>	<u>2011</u>
Cash	\$22,303	\$21,135
Due From General Fund		
Due From State		
Taxes Receivable		
	<hr/>	
Total Assets	<u>22,303</u>	<u>21,135</u>
LIABILITIES AND FUND EQUITY		
LIABILITIES:		
Accounts Payable	0	0
Due to Other Funds		
Deferred Taxes	<u>0</u>	<u>0</u>
	<hr/>	
Total Liabilities	0	0
FUND EQUITY:		
Fund Balance:		
Unreserved	<u>22,303</u>	<u>21,135</u>
	<hr/>	
Total Fund Equity	22,303	21,135
	<hr/>	
Total Liabilities and Fund Equity	<u>\$22,303</u>	<u>\$21,135</u>

The footnotes are an integral part of these Financial Statements.

THE VILLAGE OF ELBERTA
 Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance
 Parks and Recreation Fund
 For the Year Ended February 28, 2010 & February 28, 2011

	2010	2011
REVENUES		
Whine in the Park	\$0	\$1,126
Donations/Solstice	25,110	16,368
Farmers Market	1,823	2,164
Interest	0	0
	26,933	19,658
EXPENSES		
Advertising	1,004	1,110
Supplies/Whine in Park	0	1,634
Supplies/Solstice	14,062	15,753
Supplies/Other	202	326
Other Expense	450	2,003
Capital Outlay	0	0
	15,718	20,826
EXCESS REVENUE OVER (UNDER) EXPENSES	11,215	(1,168)
FUND BALANCE, BEGINNING OF YEAR	11,088	22,303
FUND BALANCE, END OF YEAR	\$22,303	\$21,135

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA
 Comparative Balance Sheet
 Parks Fund
 For the Year Ended February 28, 2010 & February 28, 2011

	2010	2011
ASSETS		
Cash	\$3,404	\$14,962
Due From General Fund	<u>0</u>	<u>0</u>
Total Assets	<u><u>3,404</u></u>	<u><u>14,962</u></u>
LIABILITIES & FUND BALANCE		
Accounts Payable	558	1,002
Due to General Fund	0	0
Fund Balance	<u>2,846</u>	<u>13,960</u>
Total Liabilities and Fund Balance	<u><u>\$3,404</u></u>	<u><u>\$14,962</u></u>

VILLAGE OF ELBERTA
Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Parks Fund
For the Year Ended February 28, 2010 & February 28, 2011

REVENUES	Original Budget	Amended Budget	2010 Actual	2011	Variance Favorable (Unfavorable)
Grants	\$0	\$0	\$0	\$0	\$0
Interest	0	0	0	0	0
Rent	32,000	32,425	34,650	37,350	4,925
Contingency	0	0	0	0	0
Total Revenues	<u>32,000</u>	<u>32,425</u>	<u>34,650</u>	<u>37,350</u>	<u>4,925</u>
EXPENDITURES					
Labor	5,500	10,341	5,000	10,341	0
Contract Services	5,000	5,000	4,771	420	4,580
Supplies	1,500	1,805	8,195	1,705	100
Utilities	6,900	7,840	6,471	7,115	725
Repairs/Maintenance	5,000	6,655	8,239	6,655	0
Total Expenditures	<u>23,900</u>	<u>31,641</u>	<u>32,676</u>	<u>26,236</u>	<u>5,405</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	8,100	784	1,974	11,114	(480)
Other Financing Sources/(Uses)					
Transfers In	0	0	0	0	
Transfers Out	8100	8,100	4,931	0	
FUND BALANCE, BEGINNING OF YEAR			<u>5,803</u>	<u>2,846</u>	
FUND BALANCE, END OF YEAR			<u>\$2,846</u>	<u>\$13,960</u>	

ENTERPRISE FUNDS

VILLAGE OF ELBERTA, MICHIGAN
Combining Comparative Balance Sheet
All Non Major Enterprise Funds
For the Years Ended February 28, 2010 & February 28, 2011

	Water Fund		Rubbish		Marina Fund		Total	
	2010	2011	2010	2011	2010	2011	2010	2011
ASSETS								
Cash	\$22,400	\$8,234	(\$12,160)	(\$18,306)	\$180,544	\$0	\$190,784	(\$10,072)
Account Receivable - Trade	12,582	12,607	0	0			12,582	12,607
Account Receivable - Grant	0	0	0	0	0	0	0	0
Due From Other Funds	5,000	5,000	7,440	7,440	0	0	12,440	12,440
Taxes Receivable	0	0			0	0	0	0
Work In Process	0							
Property, Plant & Equipment	537,127	537,127	0	0	75,676	0	612,803	537,127
Less: Accumulated Depreciation	(151,857)	(162,600)			(75,676)	0	(227,533)	(162,600)
Total Assets	425,252	400,368	(4,720)	(10,866)	180,544	0	601,076	389,502
LIABILITIES AND FUND EQUITY								
LIABILITIES:								
Accounts Payable	1,136	990	1,249	0	30	0	2,415	990
Deferred Revenue	0	0	0	0	0	0	0	0
Security Deposits	0	0	0	0	0	0	0	0
Accrued Interest Payable	0	0	0	0	0	0	0	0
Due To Other Funds	432	432	0	0	0	0	432	432
Bonds Payable	0	0	0	0	0	0	0	0
Total Liabilities	1,568	1,422	1,249	0	30	0	2,847	1,422
FUND EQUITY:								
Retained Earnings								
Unreserved	423,684	398,946	(5,969)	(10,866)	180,514	0	598,229	388,080
Reserved	0	0	0		0		0	0
Total Fund Equity	423,684	398,946	(5,969)	(10,866)	180,514	0	598,229	388,080
Total Liabilities and Fund Equity	\$425,252	\$400,368	(\$4,720)	(\$10,866)	\$180,544	\$0	\$601,076	\$389,502

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA, MICHIGAN
Combining Comparative Statement of Revenues, Expenses and Changes in Retained Earnings
All Non Major Enterprise Funds
For the Years Ended February 28, 2010 & February 28, 2011

	Water Fund		Rubbish Fund		Marina Fund		Total	
	2010	2011	2010	2011	2010	2011	2010	2011
OPERATING REVENUES								
Charges for Service	\$31,155	\$29,994	\$10,274	\$8,777	\$25,750	\$0	\$67,179	\$38,771
Tax Assessments	0	0	0	0	0	0	0	0
Refunds and Other	0	0	0	0	0	0	0	0
Total Revenues	31,155	29,994	10,274	8,777	25,750	0	67,179	38,771
OPERATING EXPENDITURES								
Operations and Maintenance	30,937	29,626	12,668	10,801	10,815	3,584	54,420	44,011
Interest Expense	0	0	0	0	0	0	0	0
Administration	14,280	14,363	2,856	2,873	5,000	0	22,136	17,236
Depreciation and Amortization	0	10,743	0	0	0	0	0	10,743
Total Expenditures	45,217	54,732	15,524	13,674	15,815	3,584	76,556	71,990
OPERATING INCOME (LOSS)	(14,062)	(24,738)	(5,250)	(4,897)	9,935	(3,584)	(9,377)	(33,219)
NON-OPERATING INCOME (EXPENSE)								
Interest on Investments	0	0	0	0	0	0	0	0
Proceeds from Sale	0	0	0	0	0	62,257	0	62,257
Transfers In (Out)	0	0	0	0	0	0	0	0
Bond Interest and Fees	0	0	0	0	0	0	0	0
Total Non-Operating Income (Expenses)	0	0	0	0	0	62,257	0	62,257
NET INCOME (LOSS)	(14,062)	(24,738)	(5,250)	(4,897)	9,935	58,673	(9,377)	29,038
RETAINED EARNINGS, BEGINNING	437,746	423,684	(719)	(5,969)	170,579	180,514	607,606	598,229
Fund Transfer to General Fund						(239,187)		
RETAINED EARNINGS, ENDING	423,684	398,946	(5,969)	(10,866)	180,514	0	598,229	388,080

The footnotes are an integral part of these Financial Statements.

VILLAGE OF ELBERTA, MICHIGAN
Combining Statement of Cash Flows
All Non Major Enterprise Funds
For the Year Ended February 28, 2011

	Water Fund	Rubbish Fund	Marina Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Operating Income	(\$24,738)	(\$4,897)	(\$3,584)	(\$33,219)
Adjustment to Reconcile Net Operating Income to Net Cash Provided by Operating Activities				
Depreciation	10,743	0	0	10,743
(Increase) Decrease in Account Receivable - Trade	(25)			(25)
(Increase) Decrease in Grant Receivable	0	0	0	0
(Increase) Decrease in Property Taxes Receivable				0
(Increase) Decrease in Due From Other Funds	0	0	0	0
Increase (Decrease) in Deferred Revenue	0			0
Increase (Decrease) in Accounts Payable	(146)	(1,249)	(30)	(1,425)
Increase (Decrease) In Due To Other Funds	0	0	0	0
Increase (Decrease) in Accrued Interest Payable	0	0	0	0
Net Cash Provided by Operating Activities	(14,166)	(6,146)	(3,614)	(23,926)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on Investments	0	0	0	0
Transfers in	0	0	0	0
Acquisition of Capital Assets	0			0
Net Cash Provided by Investing Activities	0	0	0	0
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid on Long-Term Debt	0	0	0	0
Principal paid on Long-Term Debt	0			0
Proceeds from Sale of Assets	0	0	62,257	62,257
Net Cash Used by Financing Activities	0	0	62,257	62,257
TRANSFERS IN (OUT)	0	0	0	0
NET INCREASE IN CASH AND EQUIVALENTS	(14,166)	(6,146)	58,643	38,331
CASH AND EQUIVALENTS, BEGINNING	22,400	(12,160)	180,544	190,784
Fund Merged to General fund			(239,187)	
CASH AND EQUIVALENTS, ENDING	\$8,234	(\$18,306)	\$0	(\$10,072)

The footnotes are an integral part of these Financial Statements.

May 27, 2011

To the Village of Elberta Council
Village of Elberta

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Village of Elberta for the year ended February 28, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 27, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village of Elberta are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010-11. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Deficiencies noted during the audit

We have attached the letter titled "Communication of Significant Deficiencies".

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 27, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Significant deficiencies were determined to exist in the Parks and Recreation Fund. Documentation for the Fund is minimal. No receipts, and few canceled invoices were made available. There is a significant lack of documentation for expenditures, most notably several checks written to "Cash". It is recommended that the Park and Recreation Fund checking come under the control of the Treasurer as a more proper way to control and maintain the Fund, in accordance with State law.

This information is intended solely for the use of the Village Council and management of the Village of Elberta and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Interlochen, MI

Communication of Significant Deficiencies

To Village Council
and Management of Village of Elberta

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Village of Elberta as of and for the year ended February 28, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered Village of Elberta's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Elberta's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Elberta's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Village of Elberta's internal control to be significant deficiencies:

Finding 2011-1 Bylaws of Parks & Recreation Commission not in accordance with State law

Criteria: The Bylaws of the Elberta Parks & Recreation Commission are the guidelines for the Commission

Condition: The guidelines should be revised to be in accordance with Michigan State Law per Article X, XI, XIII, also the Accounting Procedures Manual (2007).

Cause: The resolution to form the Commission signed and dated 8/20/1970 is not consistent with the Bylaws (which are unsigned).

Effect: Overall lack of control over finances within the Parks & Recreation Commission.

View of Responsible Officials: The Village of Elberta Council will approve revising the Bylaws of the Parks & Recreation to be in accordance with Michigan State Law at their regular monthly meeting to be held on June 16, 2011.

[Type text]

Finding 2011-2 Money expended for unauthorized use.

Criteria: Article X, Section 10.1 "All revenues derived from...recreational activities..., shall be used solely for the expenses incurred in the acquisition of property (approved by the Village of Elberta Council), and in the development, maintenance, or operation of areas and facilities under the commission's jurisdiction.

Condition: Money was expended (\$500) outside of the above criteria and without authority from the Village of Elberta Council.

Cause: The Council has been far too loose on their internal control. Related parties are an issue and the Treasurer is not involved in the process.

Effect: There is a violation of all expenditure rules.

View of Responsible Officials: Laura Manville, Village Treasurer, will assume all accounting duties, including expense reimbursements, on July 1, 2011. The Village of Elberta Council will authorize expenditure of the \$500 that was expended outside the commission's jurisdiction at their regular monthly meeting to be held on June 16, 2011.

Finding 2011-3 Parks & Recreation Commission expenses not in accordance with Procedures

Criteria: All expenses requested for reimbursement (cash) must be substantiated with receipts and/or other documentation.

Condition: Expense reimbursement not supported by documentation.

Cause: Lack of proper internal control and procedures not in accordance with Accounting Procedures Manual.

Effect: Excessive cash reimbursements.

View of Responsible Officials: Laura Manville, Village Treasurer, will assume all accounting duties, including expense reimbursements, on July 1, 2011. The Village of Elberta Council will authorize this transfer of duties at their regular monthly meeting to be held on June 16, 2011.

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

Gabridge Wilson, CPA
Interlochen, MI
May 27, 2011