

VILLAGE OF GRAND BEACH
BERRIEN COUNTY, MICHIGAN

FINANCIAL REPORT

October 31, 2009

**VILLAGE OF GRAND BEACH
Berrien County, Michigan
October 31, 2009**

VILLAGE COUNCIL AND OFFICIALS

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Walter Carroll	President Pro Tem
Deborah Lindley	Council Member
Kaye Moriarty	Council Member
Robert Grim	Council Member
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VILLAGE OF GRAND BEACH
Berrien County, Michigan
October 31, 2009

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Independent Auditor's Report

To the Village Council
Village of Grand Beach, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Grand Beach, Michigan, as of and for the year ended October 31, 2009, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Grand Beach, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, each major fund, and the aggregate remaining fund information of the Village of Grand Beach, Michigan, as of October 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 8 and 31 through 32, 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 of Grand Beach, Michigan's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Schaffer & Layher". The signature is written in a cursive, flowing style.

St. Joseph, Michigan
February 12, 2010

Using this Annual Report

This 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 of Grand Beach (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.

Financial Highlights

The Village's combined net assets increased 3.3% from a year ago—increasing from \$2,521,498 to \$2,605,761. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase in net assets of \$84,809 during the year, while the business-type activities experienced a decrease in net assets of \$546.

Overview of the Financial Statements

This report consists of four parts—*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Village government, reporting the Village's operations in more detail than the government-wide statements.
 - The *governmental funds statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
 - *Proprietary fund statements* offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the water system and golf course.
 - *Fiduciary fund statements* provide information about the financial relationships, in which the Village acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong. The Village does not currently utilize any fiduciary funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required parts of the report, we have included a section with combining statements that provide details about our non-major governmental funds, which are added together and presented in single columns in the basic financial statements. The following table summarizes the major features of the Village's financial statements, including the portion of the Village government they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Overview of the Financial Statements, Concluded

Major Features of Village of Grand Beach's Government-Wide and Fund Financial Statements			
	Government-Wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire Village government (except fiduciary funds, if applicable)	The activities of the Village that are not proprietary or fiduciary, such as general, building inspector, capital projects, and street funds.	Activities the Village operates similar to private businesses, such as the Water Fund and Golf Fund.
Required Financial Statements.	> Statement of net assets >Statement of activities.	> Balance Sheet >Statement of revenues, expenditures, and changes in fund balances.	> Statement of net assets >Statement of revenues, expenses, and changes in net assets. >Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.
Type of inflow/outflow information.	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-Wide Statements

The government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Village’s net assets and how they have changed. Net assets are the difference between the Village’s assets and liabilities, which is one way to measure the Village’s financial health, or position.

- Over time, increases or decreases in the Village’s net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village you need to consider additional non-financial factors such as changes in the Village’s property tax base and condition of the Village’s infrastructure.

Government-Wide Statements, Concluded

The government-wide financial statements of the Village are divided into two categories:

- Governmental activities—Most of the Village's basic services are included here, such as general government, public safety, public works, and recreation and culture.
- Business-type activities—The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's water system and golf course are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's most significant funds—not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.
- The Village Council establishes other funds to control and manage money for a particular purpose (i.e., building inspector, capital projects) or to show that it is properly using certain taxes and grants (i.e., major and local streets).

The Village has the following two kinds of funds:

- *Governmental Funds*—Most of the Village's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the differences between them.
- *Proprietary Funds*—Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Village's enterprise funds (a type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

Financial Analysis of the Village as a Whole

The Village's combined net assets were \$2,605,761. In a condensed format the following table below shows a breakdown of the net assets:

	Governmental Activities		Business-type Activities		Total Primary	
	2009	2008	2009	2008	2009	2008
Current assets	\$1,045,612	\$ 938,477	\$ 412,409	\$ 425,922	\$1,458,021	\$1,364,399
Capital assets, net	701,618	739,938	1,821,317	1,884,178	2,522,935	2,624,116
Total assets	\$1,747,230	\$1,678,415	\$2,233,726	\$2,310,100	\$3,980,956	\$3,988,515
Current liabilities	\$ 40,793	\$ 56,787	\$ 24,369	\$ 53,006	\$ 65,162	\$ 109,793
Noncurrent liabilities	-	-	1,310,033	1,357,224	1,310,033	1,357,224
Total liabilities	\$ 40,793	\$ 56,787	\$1,334,402	\$1,410,230	\$1,375,195	\$1,467,017
Net Assets						
Invested in capital assets, net of related debt	\$ 701,618	\$ 739,938	\$ 511,284	\$ 526,954	\$1,212,902	\$1,266,892
Restricted for debt service	-	-	103,275	99,832	103,275	99,832
Unrestricted net assets	1,004,819	881,690	284,765	273,084	1,289,584	1,154,774
Total net assets	\$1,706,437	\$1,621,628	\$ 899,324	\$ 899,870	\$2,605,761	\$2,521,498

The Village's combined net assets increased 3.3% from a year ago, increasing from \$2,521,498 to \$2,605,761. As we look at the governmental activities separately from the business-type activities, we can see that governmental activities net assets increased 5.2%, from \$1,621,628 to \$1,706,437. Business-type activities net assets decreased less than one percent, from \$899,870 to \$899,324.

The following table shows the changes in net assets for years ended October 31, 2009 and 2008:

	Governmental Activities		Business-type Activities		Total Primary	
	2009	2008	2009	2008	2009	2008
Program Revenues						
Charges for services	\$ 25,295	\$ 44,695	\$ 541,614	\$ 582,383	\$ 566,909	\$ 627,078
Operating grants and contributions	84,241	115,020	-	-	84,241	115,020
General Revenues						
Property taxes	690,549	661,054	-	-	690,549	661,054
State-shared revenues	15,024	16,415	-	-	15,024	16,415
Rents and royalties	69,259	69,561	-	-	69,259	69,561
Local revenue sharing	59,050	-	-	-	59,050	-
Interest income	759	16,940	3,547	11,433	4,306	28,373
Miscellaneous	23,518	13,295	4,638	6,712	28,156	20,007
Total Revenues	\$ 967,695	\$ 936,980	\$ 549,799	\$ 600,528	\$ 1,517,494	\$ 1,537,508
Program Expenses						
General Government	\$ 248,972	\$ 212,516	\$ -	\$ -	\$ 248,972	\$ 212,516
Public Safety	367,256	361,460	-	-	367,256	361,460
Public Works	243,006	240,543	-	-	243,006	240,543
Recreation and Culture	23,652	19,678	-	-	23,652	19,678
Water	-	-	305,487	282,742	305,487	282,742
Golf	-	-	244,858	247,201	244,858	247,201
Total Expenses	\$ 882,886	\$ 834,197	\$ 550,345	\$ 529,943	\$ 1,433,231	\$ 1,364,140
Change in Net Assets	\$ 84,809	\$ 102,783	\$ (546)	\$ 70,585	\$ 84,263	\$ 173,368
Beginning Net Assets	1,621,628	1,518,845	899,870	829,285	2,521,498	2,348,130
Ending Net Assets	<u>\$1,706,437</u>	<u>\$1,621,628</u>	<u>\$ 899,324</u>	<u>\$ 899,870</u>	<u>\$ 2,605,761</u>	<u>\$ 2,521,498</u>

Governmental Activities

The Village's total governmental revenues increased by \$30,715. This is primarily the result of the first year of receiving local revenue sharing funds related to the Four Winds Casino. The Village received \$59,050 in local revenue sharing in the current year. Also, the Village's property tax revenue increased by \$29,495 due to an increase in value of the Village's overall tax base. This was offset by reductions to charges for services of \$19,400 due to a decrease in the issuance of building and electrical permits. Additionally, operating grants and contributions decreased \$30,779 due to the Village receiving fewer private grants related to the Pavilion project that was completed in early fiscal 2009.

Expenses increased by \$48,689, which is primarily the result of increases in employee wages and benefit costs, attorneys fees and costs associated with the development of the Village's master plan.

Business-Type Activities

The Village's business-type activities consist of the Water Fund and Golf Fund. We provide water, purchased from the Village of Michiana, to the Village residents. Operating revenues for the Water Fund decreased by \$16,409, due to a decrease in usage charges and tap-in fees. Water Fund operating expenses increased by \$15,017. This was primarily due to an increase in repair and maintenance expenses of \$13,425 and an increase in depreciation expense of \$14,021. This was offset by a decrease in personnel service expenses of \$13,471. Golf Fund revenues decreased by \$26,434, which was a result of a decrease in the number of golf customers in 2009. This was primarily driven by poor weather throughout the golf season coupled with the depressed economy. Golf Fund operating expenses decreased slightly by \$3,138.

The Village's Funds

Our analysis of the Village's major funds begins following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as state revenue funds for streets. The Village's major funds for 2009 included the General Fund, Building Inspector Fund, Capital Projects Fund, Water Fund, and Golf Fund.

The General Fund pays for most of the Village's governmental services, including legislative, police and other services. The most significant is police, which incurred expenses of \$231,234 in 2009. The service is supported by general revenue sources of the General Fund.

Capital Asset and Debt Administration

During 2009, the Village had \$16,160 of additions to capital assets for governmental activities. These additions included a new copy machine at the Village offices for \$3,973 and the installation of new beach stairs for \$12,187. During 2009, the Village had \$20,128 of additions to capital assets for business-type activities. These additions consisted of \$13,253 of additional infrastructure costs related to the Village's waterline expansion project and \$6,875 of golf course maintenance equipment.

On April 1, 2008, the Village issued its \$735,000 General Obligation Limited Tax Capital Improvement Bonds, Series 2008, for the purpose of providing funds to pay the cost to acquire and construct certain capital improvements relating to the Village's water supply system. The Village was authorized to receive funds from the Michigan Municipal Bond Authority up to \$735,000, in installments, as such funds are necessary to pay for the costs of this project. As of October 31, 2009, the Village had received a total of \$663,807 of installment payments. No additional funds are anticipated to be received.

As of October 31, 2009, the Village had investment in capital assets for its governmental and business-type activities of \$2,522,935 (net of depreciation). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment, and water lines. The Village has chosen to not retroactively report any other infrastructure assets at October 31, 2009 and will only report any additions prospectively in accordance with G.A.S.B. #34. At the end of the current fiscal year, the Village had business-type activity debt outstanding of \$1,310,033. During 2009, the Village made principal payments to reduce this debt by \$81,358.

Economic Factors and Next Year's Budgets and Rates

The Village anticipates revenue over expenses in the governmental and proprietary funds for the fiscal year ending October 31, 2010.

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 the clerk's office.

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
October 31, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 894,234	\$ 287,898	\$ 1,182,132
Restricted investments	-	103,275	103,275
Receivables	125,697	28,680	154,377
Supplies inventory	1,644	-	1,644
Internal balances	7,444	(7,444)	-
Prepaid expenses	16,593	-	16,593
Total current assets	<u>\$ 1,045,612</u>	<u>\$ 412,409</u>	<u>\$ 1,458,021</u>
Noncurrent assets			
Capital assets, net	\$ 701,618	\$ 1,821,317	\$ 2,522,935
Total assets	<u>\$ 1,747,230</u>	<u>\$ 2,233,726</u>	<u>\$ 3,980,956</u>
Liabilities			
Current liabilities			
Accounts Payable	\$ 27,943	\$ 19,009	\$ 46,952
Accrued wages and taxes	12,850	948	13,798
Accrued interest payable	-	4,412	4,412
Current portion of bonds and notes payable	-	82,168	82,168
Total current liabilities	<u>\$ 40,793</u>	<u>\$ 106,537</u>	<u>\$ 147,330</u>
Noncurrent liabilities			
Noncurrent portion of bonds and notes payable	\$ -	\$ 1,227,865	\$ 1,227,865
Total liabilities	<u>\$ 40,793</u>	<u>\$ 1,334,402</u>	<u>\$ 1,375,195</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 701,618	\$ 511,284	\$ 1,212,902
Restricted for debt service	-	103,275	103,275
Unrestricted	1,004,819	284,765	1,289,584
Total net assets	<u>\$ 1,706,437</u>	<u>\$ 899,324</u>	<u>\$ 2,605,761</u>

The notes to the financial statements are an integral part of these statements

**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended October 31, 2009**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government						
<i>Governmental Activities</i>						
General government	\$ 248,972	\$ 25,295	\$ 31,584	\$ (192,093)	\$ -	\$ (192,093)
Public safety	367,256	-	-	(367,256)	-	(367,256)
Public works	243,006	-	52,657	(190,349)	-	(190,349)
Recreation and culture	23,652	-	-	(23,652)	-	(23,652)
Total governmental activities	<u>\$ 882,886</u>	<u>\$ 25,295</u>	<u>\$ 84,241</u>	<u>\$ (773,350)</u>	<u>\$ -</u>	<u>\$ (773,350)</u>
<i>Business-Type Activities</i>						
Water	\$ 305,487	\$ 324,088	\$ -	\$ -	\$ 18,601	\$ 18,601
Golf	244,858	217,526	-	-	(27,332)	(27,332)
Total business-type activities	<u>550,345</u>	<u>541,614</u>	<u>-</u>	<u>-</u>	<u>(8,731)</u>	<u>(8,731)</u>
Total primary government	<u>\$ 1,433,231</u>	<u>\$ 566,909</u>	<u>\$ 84,241</u>	<u>\$ (773,350)</u>	<u>\$ (8,731)</u>	<u>\$ (782,081)</u>
General Revenues						
Property taxes				690,549	-	690,549
State-shared revenues				15,024	-	15,024
Rents and royalties				69,259	-	69,259
Local revenue sharing				59,050	-	59,050
Interest income				759	3,547	4,306
Miscellaneous				23,518	4,638	28,156
Total general revenues				<u>858,159</u>	<u>8,185</u>	<u>866,344</u>
Change in net assets				84,809	(546)	84,263
Net assets-beginning				1,621,628	899,870	2,521,498
Net assets-ending				<u>\$ 1,706,437</u>	<u>\$ 899,324</u>	<u>\$ 2,605,761</u>

The notes to the financial statements are an integral part of these statements

VILLAGE OF GRAND BEACH

GOVERNMENTAL FUNDS BALANCE SHEET
October 31, 2009

	General Fund	Building Inspector Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 603,262	\$ 114,522	\$ 131,751	\$ 44,699	\$ 894,234
Taxes receivable	71,640	-	-	-	71,640
Due from other governmental funds	7,387	-	-	-	7,387
Due from proprietary funds	8,169	-	-	-	8,169
Due from other governments	2,395	-	-	7,633	10,028
Other receivables	42,829	1,200	-	-	44,029
Supplies inventory	1,644	-	-	-	1,644
Prepaid expenses	16,593	-	-	-	16,593
Total assets	<u>\$ 753,919</u>	<u>\$ 115,722</u>	<u>\$ 131,751</u>	<u>\$ 52,332</u>	<u>\$ 1,053,724</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 3,585	\$ 2,089	\$ -	\$ 22,269	\$ 27,943
Accrued wages and taxes	12,850	-	-	-	12,850
Due to other governmental funds	-	2,917	-	4,470	7,387
Due to proprietary funds	725	-	-	-	725
Total liabilities	<u>\$ 17,160</u>	<u>\$ 5,006</u>	<u>\$ -</u>	<u>\$ 26,739</u>	<u>\$ 48,905</u>
Fund Balance					
Reserved:					
Reserved for inventory	\$ 1,644	\$ -	\$ -	\$ -	\$ 1,644
Reserved for prepaids	16,593	-	-	-	16,593
Unreserved, reported in:					
General Fund	718,522	-	-	-	718,522
Special Revenue Funds	-	110,716	-	25,593	136,309
Capital Projects Funds	-	-	131,751	-	131,751
Total fund balances	<u>736,759</u>	<u>110,716</u>	<u>131,751</u>	<u>25,593</u>	<u>1,004,819</u>
Total liabilities and fund balances	<u>\$ 753,919</u>	<u>\$ 115,722</u>	<u>\$ 131,751</u>	<u>\$ 52,332</u>	
Amounts reported for governmental activities in the statement of net assets are different because:					
* Capital assets used in governmental activities are not financial resources and are not reported in the funds					
					701,618
Net assets of governmental activities					<u>\$ 1,706,437</u>

The notes to the financial statements are an integral part of these statements

VILLAGE OF GRAND BEACH

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
For the Year Ended October 31, 2009**

	General Fund	Building Inspector Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 690,549	\$ -	\$ -	\$ -	\$ 690,549
State-shared revenues	15,024	-	-	52,657	67,681
Grants	31,584	-	-	-	31,584
Fines and forfeits	1,420	-	-	-	1,420
Licenses and permits	-	25,295	-	-	25,295
Miscellaneous fees	9,237	-	-	-	9,237
Rents and royalties	69,259	-	-	-	69,259
Local revenue sharing	59,050	-	-	-	59,050
Interest income	695	-	64	-	759
Miscellaneous revenues	12,836	-	25	-	12,861
Total Revenues	<u>\$ 889,654</u>	<u>\$ 25,295</u>	<u>\$ 89</u>	<u>\$ 52,657</u>	<u>\$ 967,695</u>
Expenditures					
Current:					
Council	\$ 29,046	\$ -	\$ -	\$ -	\$ 29,046
Office	44,806	-	350	-	45,156
Elections	190	-	-	-	190
Hall and grounds	20,581	-	-	-	20,581
Planning commission	15,570	-	-	-	15,570
Maintenance garage	35,643	-	-	-	35,643
Building inspection	-	52,703	-	-	52,703
Police	231,234	-	-	-	231,234
Public Works	54,247	-	-	89,945	144,192
Sanitation	41,809	-	-	-	41,809
Parks and recreation	5,684	-	-	-	5,684
Beaches	8,942	-	-	-	8,942
Employee benefits	197,656	-	-	-	197,656
Capital Outlay	-	-	16,160	-	16,160
Total Expenditures	<u>\$ 685,408</u>	<u>\$ 52,703</u>	<u>\$ 16,510</u>	<u>\$ 89,945</u>	<u>\$ 844,566</u>
Excess (deficiency) of Revenues Over Expenditures	<u>\$ 204,246</u>	<u>\$ (27,408)</u>	<u>\$ (16,421)</u>	<u>\$ (37,288)</u>	<u>\$ 123,129</u>
Other Financing Sources(Uses)					
Operating transfers in	\$ -	\$ -	\$ 67,610	\$ 10,000	\$ 77,610
Operating transfers out	(77,610)	-	-	-	(77,610)
Total other financing sources (uses)	<u>\$ (77,610)</u>	<u>\$ -</u>	<u>\$ 67,610</u>	<u>\$ 10,000</u>	<u>\$ -</u>
Net Change in Fund Balances	<u>\$ 126,636</u>	<u>\$ (27,408)</u>	<u>\$ 51,189</u>	<u>\$ (27,288)</u>	<u>\$ 123,129</u>
Fund Balances, beginning of year	<u>610,123</u>	<u>138,124</u>	<u>80,562</u>	<u>52,881</u>	
Fund Balances, end of year	<u>\$ 736,759</u>	<u>\$ 110,716</u>	<u>\$ 131,751</u>	<u>\$ 25,593</u>	

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

- * Governmental funds report capital outlay as expenditures: in the statement of activities, these costs are allocated over their estimated useful lives as depreciation;

Depreciation expense	(54,480)
Capital outlay	16,160
Change in net assets of governmental activities	<u>\$ 84,809</u>

The notes to the financial statements are an integral part of these statements

PROPRIETARY FUNDS STATEMENT OF NET ASSETS
October 31, 2009

	Enterprise Funds		Total Proprietary Funds
	Water Fund	Golf Fund	
Assets			
Current assets			
Cash and cash equivalents	\$ 245,883	\$ 42,015	\$ 287,898
Restricted investments	103,275	-	103,275
Accounts receivable	28,680	-	28,680
Due from governmental funds	725	-	725
Total current assets	378,563	42,015	420,578
Noncurrent assets			
Capital assets, net	1,691,411	129,906	1,821,317
Total assets	\$ 2,069,974	\$ 171,921	\$ 2,241,895
Liabilities			
Current liabilities			
Accounts payable	\$ 5,820	\$ 13,189	\$ 19,009
Accrued wages and payroll taxes	948	-	948
Accrued interest payable	4,412	-	4,412
Due to governmental funds	3,588	4,581	8,169
Current portion of noncurrent liabilities	79,000	3,168	82,168
Total current liabilities	\$ 93,768	\$ 20,938	\$ 114,706
Noncurrent liabilities			
Bonds and notes payable	1,223,807	4,058	1,227,865
Total liabilities	\$ 1,317,575	\$ 24,996	\$ 1,342,571
Net Assets			
Invested in capital assets - net of related debt	\$ 388,604	\$ 122,680	\$ 511,284
Restricted for debt service	103,275	-	103,275
Unrestricted	260,520	24,245	284,765
Total net assets	\$ 752,399	\$ 146,925	\$ 899,324

The notes to the financial statements are an integral part of these statements

VILLAGE OF GRAND BEACH

**PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year ended October 31, 2009**

	Enterprise Funds		Total Proprietary Funds
	Water Fund	Golf Fund	
Operating Revenues			
Charges for services	\$ 321,588	\$ -	\$ 321,588
Service connections	2,500	-	2,500
Golf and cart fees	-	190,285	190,285
Concession revenue	-	27,241	27,241
Miscellaneous revenue	3,587	1,051	4,638
Total operating revenues	<u>\$ 327,675</u>	<u>\$ 218,577</u>	<u>\$ 546,252</u>
Operating Expenses			
Personnel services	\$ 55,875	\$ 116,165	\$ 172,040
Water purchases	108,754	-	108,754
Cost of products sold	-	16,178	16,178
Supplies	2,956	11,014	13,970
Management fees	-	21,943	21,943
Professional services	2,507	1,465	3,972
Seed and fertilizer	-	10,883	10,883
Utilities	3,706	3,427	7,133
Repairs and maintenance	23,862	26,931	50,793
Insurance and bonds	1,822	4,160	5,982
Equipment rentals	2,330	330	2,660
Building rentals	-	1,800	1,800
Depreciation	62,300	20,689	82,989
Miscellaneous	1,010	8,430	9,440
Total operating expenses	<u>\$ 265,122</u>	<u>\$ 243,415</u>	<u>\$ 508,537</u>
Operating income (loss)	<u>\$ 62,553</u>	<u>\$ (24,838)</u>	<u>\$ 37,715</u>
Nonoperating Revenues (Expenses)			
Interest income	\$ 3,547	\$ -	\$ 3,547
Interest expense	(40,365)	(1,443)	(41,808)
Total nonoperating revenues (expenses)	<u>\$ (36,818)</u>	<u>\$ (1,443)</u>	<u>\$ (38,261)</u>
Change in net assets	\$ 25,735	\$ (26,281)	\$ (546)
Net assets, beginning of year	726,664	173,206	899,870
Net assets, end of year	<u>\$ 752,399</u>	<u>\$ 146,925</u>	<u>\$ 899,324</u>

The notes to the financial statements are an integral part of these statements

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS
For the Year Ended October 31, 2009

	<u>Enterprise Funds</u>		Total Proprietary <u>Funds</u>
	<u>Water Fund</u>	<u>Golf Fund</u>	
Cash Flows From Operating Activities			
Receipts from customers	\$ 332,811	\$ 218,577	\$ 551,388
Payments to suppliers	(172,360)	(109,348)	(281,708)
Payments to employees and benefits	(58,575)	(117,253)	(175,828)
Net cash provided (used) by operating activities	<u>\$ 101,876</u>	<u>\$ (8,024)</u>	<u>\$ 93,852</u>
Cash Flows From Capital and Related Financing			
Purchase of capital assets	\$ (13,253)	\$ (6,875)	\$ (20,128)
Proceeds from capital debt	33,129	-	33,129
Principal paid on capital debt	(78,000)	(3,358)	(81,358)
Interest paid on capital debt	(40,541)	(466)	(41,007)
Net cash used by capital and related financing activities	<u>\$ (98,665)</u>	<u>\$ (10,699)</u>	<u>\$ (109,364)</u>
Cash Flow From Investing Activities			
Interest earned	\$ 104	\$ -	\$ 104
Net increase (decrease) in cash and cash equivalents	\$ 3,315	\$ (18,723)	\$ (15,408)
Cash and cash equivalents-beginning	242,568	60,738	303,306
Cash and cash equivalents-ending	<u>\$ 245,883</u>	<u>\$ 42,015</u>	<u>\$ 287,898</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 62,553	\$ (24,838)	\$ 37,715
Adjustment to reconcile operating income to net cash provided by operating activities			
Depreciation expense	62,300	20,689	82,989
Change in assets and liabilities			
Receivables, net	5,136	-	5,136
Accounts payable	(25,413)	(2,787)	(28,200)
Accrued wages and taxes	(200)	-	(200)
Due to other governmental funds	(2,500)	(1,088)	(3,588)
Net cash provided (used) by operating activities	<u>\$ 101,876</u>	<u>\$ (8,024)</u>	<u>\$ 93,852</u>

The notes to the financial statements are an integral part of these statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Grand Beach (the "Village") conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village:

A. Reporting Entity

The Village is a chartered village located within the boundaries of New Buffalo Township. The Village operates under a Council-Administrator form of government and provides the following services: public safety (police), highways and streets, water utility, recreation, public improvement, planning and zoning and general administration services.

For financial statement purposes, the Village includes all funds and account groups that are controlled by or dependent on the Village, as determined on the basis of budget adoption, management oversight responsibility, taxing authority, or the Village's obligation to fund any deficits.

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 primary government and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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 applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given 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 instead 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**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. 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 thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are 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.

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Property Taxes--The Village's property taxes attach as an enforceable lien on July 1st, on the taxable valuation of property (as defined by State statutes) located in the Village and payable on September 15th. The Village's 2009 ad valorem tax is levied and collectible on July 1, 2009 and it is recognized as revenue in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2009 taxable valuation of the Village totaled \$109.0 million, on which ad valorem taxes levied which consisted of 6.2719 mills for the Village's operating purposes. These amounts are recognized in the General Fund's financial statements as taxes receivable or as tax revenue.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

The Village reports the following major funds:

Governmental Funds:

General Fund - The General Fund accounts for all revenues and expenditures of the Village which are not accounted for in the other funds. Revenues are primarily derived from general property taxes, other local taxes, licenses and permits, local revenue sharing, and fees and revenues from the State of Michigan.

Building Inspector Fund - The Building Inspector Fund is used to account for the collection of inspection fees related to construction in the Village and the expenses associated with building and electrical inspections.

Capital Projects Fund – The Capital Projects Fund accounts for the purchase of fixed assets. Funds are accumulated over multiple accounting periods. Funds are provided primarily through transfers from the General Fund.

Proprietary funds:

Water Fund – The Water Fund is used to account for the provision of water services to the residents of the Village. Activities of the fund include administration, operations and maintenance of the water system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of long-term debt principal and interest for water debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Golf Fund – The Golf Fund is used to account for operations of the Village's golf course, including administration, operation and maintenance. All costs are financed through charges to the customers and through transfers from the General Fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Concluded**

Additionally, the Village reports the following non-major governmental funds:

Major and Local Street Funds – The Major and Local Street Funds account for the revenues and expenditures of the Village related to the construction and maintenance of the Village’s major and local streets. Revenues are primarily derived from the State of Michigan revenue sharing funds.

Private-sector standards of accounting 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. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

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 government’s water and golf functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of proprietary funds relate to charges to customers for sales and services. The water fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**D. Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of only certificates of deposit greater than 90 days.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances 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.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on September 15th, at which time penalties and interest are assessed.

Inventories and Prepaid Items—Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets—Capital assets, which include property, plant, equipment, infrastructure assets (e.g., water system, roads, bridges, 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 estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Village has chosen not to retroactively report any other infrastructure assets at October 31, 2003 and will only report any additions prospectively in accordance with G.A.S.B. #34.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there was no interest that was capitalized.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED

D. Assets, Liabilities, and Net Assets or Equity, concluded

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Land Improvements	10 to 20 years
Water and Sewer Lines	50 to 75 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave)—It is the policy of the Village to allow employees to accumulate up to 30 sick days. There is no pay or compensation for unused sick days upon an employee’s retirement, resignation or termination. Vacation days are earned as of the anniversary of the employee’s full-time hire date and must be used within 24 months of that date. No compensation is given if the vacation time is not taken within that time period. The Village has not recorded a liability for unpaid accumulated vacation and sick leave since the Village does not pay out any amounts when the employees separate from service.

Long-Term Obligations—In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

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.

Estimates—The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**Budgets and Budgetary Accounting:**

The Village performs the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the annual meeting, the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing November 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Village Hall to obtain taxpayer comments.
3. The budget is formally adopted by the regular Council meeting in June.
4. Transfers or amendments to the budget may only be approved by the Council.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Budgets for all the funds are adopted on a basis consistent with generally accepted accounting principles.

The budget document presents information by fund function. The legal level of budgetary control adopted by the governing board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Village to have its budget in place by November 1st. Expenditures in excess of the amounts budgeted is a violation of P.A. 621 of 1978, Section 18(1) as amended.

State law permits Villages to amend its budgets during the year. There were multiple amendments made during the current year.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONCLUDED**Budgets and Budgetary Accounting, concluded:**

Excess of Expenditures Over Appropriations in Major Budgeted Funds—During the year, the Village had no expenditures in budgeted funds which were in excess of the amounts appropriated.

Fund Deficits—The Village has no accumulated fund balance/retained earning deficits in their reported funds.

NOTE 3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Village to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Village is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of the United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village Council has designated two banks for the deposit of Village funds within the state of Michigan. The investment policy adopted by the council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CD's, but not the remainder of the State statutory authority as listed above.

The Village's deposits and investment policy are in accordance with statutory authority.

NOTE 3. DEPOSITS AND INVESTMENTS, CONTINUED

At October 31, 2009, the Village's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	Total Primary <u>Government</u>
Cash and cash equivalents			
Deposits	\$ 894,034	\$ 287,065	\$ 1,181,099
Petty cash and undeposited cash	200	833	1,033
Total	<u>\$ 894,234</u>	<u>\$ 287,898</u>	<u>\$ 1,182,132</u>
Restricted investments:			
Certificates of deposit (>90 days)	<u>\$ -</u>	<u>\$ 103,275</u>	<u>\$ 103,275</u>

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The bank balance of the Village's deposits and certificates of deposit is \$1,286,033 of which \$932,758 is not covered by federal depository insurance.

Investments. Michigan law permits investments in: 1) Bonds and other obligations of the United States Government; 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively; 3) Certain commercial paper; 4) United States Government repurchase agreements; 5) Banker's acceptance of the United States Bank; and 6) Certain mutual funds. The Village has put further restrictions on those investments through its current policy, and the Villages investment is permitted by law and policy.

Interest rate risk. In accordance with its investment policy, the Village will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Village's cash requirements.

Credit Risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of Credit Risk. The Village will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by: limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Village will do business.

Foreign Currency Risk. The Village is not authorized to invest in investments which have this type of risk.

Restricted Investments:

The Water Fund reports restricted assets for investments in CD’s greater than 90 days in accordance with the bond ordinances used to finance the Water Distribution System. As of October 31, 2009, the total balance in restricted investment accounts was \$103,275.

NOTE 4. RECEIVABLES AND PAYABLES

Receivables as of year-end for the Village’s individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Building Inspector Fund	Water Fund	Non-major Funds	Total
Receivables:					
Taxes	\$ 71,640	\$ -	\$ -	\$ -	\$ 71,640
Accounts	-	-	28,680	-	28,680
Intergovernmental	2,395	-	-	7,633	10,028
Other:					
Due from local revenue sharing	36,431	-	-	-	36,431
Other	6,398	1,200	-	-	7,598
Total other	42,829	1,200	-	-	44,029
Less allowance for uncollectibles	-	-	-	-	-
Net receivables	<u>\$ 116,864</u>	<u>\$ 1,200</u>	<u>\$ 28,680</u>	<u>\$ 7,633</u>	<u>\$ 154,377</u>

Payables as of year-end for the Village’s individual major funds and nonmajor funds in the aggregate are as follows:

	General Fund	Building Inspector Fund	Capital Projects Fund	Water Fund	Golf Fund	Non-major Funds	Total
Payables:							
Accounts	<u>\$ 3,585</u>	<u>\$ 2,089</u>	<u>\$ -</u>	<u>\$ 5,820</u>	<u>\$ 13,189</u>	<u>\$ 22,269</u>	<u>\$ 46,952</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<i>Governmental Activities</i>				
Capital assets not being depreciated:				
Land	\$ 169,788	\$ -	\$ -	\$ 169,788
Capital assets being depreciated:				
Infrastructure	\$ 47,047	\$ -	\$ -	\$ 47,047
Building and improvements	604,088	-	-	604,088
Equipment	665,020	16,160	-	681,180
Subtotal	<u>\$ 1,316,155</u>	<u>\$ 16,160</u>	<u>\$ -</u>	<u>\$ 1,332,315</u>
Accumulated depreciation:				
Infrastructure	\$ (1,236)	\$ (1,176)	\$ -	\$ (2,412)
Building and improvements	(265,423)	(15,294)	-	(280,717)
Equipment	(479,346)	(38,010)	-	(517,356)
Subtotal	<u>\$ (746,005)</u>	<u>\$ (54,480)</u>	<u>\$ -</u>	<u>\$ (800,485)</u>
Net capital assets being depreciated	<u>\$ 570,150</u>	<u>\$ (38,320)</u>	<u>\$ -</u>	<u>\$ 531,830</u>
Net capital assets	<u><u>\$ 739,938</u></u>	<u><u>\$ (38,320)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 701,618</u></u>

Depreciation was charged to programs for the governmental activities as follows:

General government	\$ 54,480
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NOTE 5. CAPITAL ASSETS, CONCLUDED

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<i>Business-Type Activities</i>				
Capital assets not being depreciated:				
Land	\$ 9,300	\$ -	\$ -	\$ 9,300
Capital assets being depreciated:				
Infrastructure	\$ 2,340,101	\$ 13,253	\$ -	\$ 2,353,354
Building and improvements	203,651	-	-	203,651
Equipment	331,590	6,875	-	338,465
Subtotal	<u>\$ 2,875,342</u>	<u>\$ 20,128</u>	<u>\$ -</u>	<u>\$ 2,895,470</u>
Accumulated depreciation:				
Infrastructure	\$ (566,037)	\$ (61,640)	\$ -	\$ (627,677)
Building and improvements	(190,719)	(952)	-	(191,671)
Equipment	(243,708)	(20,397)	-	(264,105)
Subtotal	<u>\$(1,000,464)</u>	<u>\$ (82,989)</u>	<u>\$ -</u>	<u>\$(1,083,453)</u>
Net capital assets being depreciated	<u>\$ 1,874,878</u>	<u>\$ (62,861)</u>	<u>\$ -</u>	<u>\$ 1,812,017</u>
Net capital assets	<u>\$ 1,884,178</u>	<u>\$ (62,861)</u>	<u>\$ -</u>	<u>\$ 1,821,317</u>
Depreciation was charged to programs for the business-type activities as follows:				
Water Fund	\$ 62,300			
Golf Fund	20,689			
	<u>\$ 82,989</u>			

NOTE 6. LONG TERM DEBT

On April 1, 2008, the Village issued its \$735,000 General Obligation Limited Tax Capital Improvement Bonds, Series 2008, for the purpose of providing funds to pay the cost to acquire and construct certain capital improvements relating to the Village’s water supply system. The Village was authorized to receive funds from the Michigan Municipal Bond Authority of up to \$735,000, in installments, as such funds are necessary to pay for the costs of this project. The Village received \$33,129 in additional installment payments during the year ended October 31, 2009.

Long-term debt activity can be summarized as follows:

Fund	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities					
<i>Revenue Bonds</i>					
Revenue Bonds dated July 12, 1983, with annual principal payments increasing from \$1,000 to \$24,000, maturing in 2023, with semi-annual interest payments at a rate of 5.0%	\$ 277,000	\$ -	\$ (13,000)	\$ 264,000	\$ 14,000
Revenue Bonds dated September 20, 1999, with annual principal payments increasing from \$30,000 to \$45,000, maturing in 2019, with semi-annual interest payments at a rate of 2.5%	440,000	-	(35,000)	405,000	35,000
<i>General Obligation Bonds</i>					
General Obligation Bonds dated April 1, 2008, with annual principal payments increasing from \$30,000 to \$45,000, maturing in 2028, with semi-annual interest payments at a rate of 2.5%	630,678	33,129	(30,000)	633,807	30,000
<i>Note Payable</i>					
2007 golf tractor note, irregular payments from \$528 to \$623 through 2012, with interest at a rate of 8.9%	9,546	1,038	(3,358)	7,226	3,168
Total business-type activities	<u>\$ 1,357,224</u>	<u>\$ 34,167</u>	<u>\$ (81,358)</u>	<u>\$ 1,310,033</u>	<u>\$ 82,168</u>

NOTE 6. LONG TERM DEBT, CONCLUDED

Annual debt service requirements to maturity for the above obligations are as follows:

	Business-type Activities		
	Principal	Interest	Total
2010	82,168	37,801	119,969
2011	82,461	35,481	117,942
2012	85,597	33,136	118,733
2013	86,000	30,399	116,399
2014	87,000	27,824	114,824
2015-2019	485,000	97,436	582,436
2020-2024	293,000	31,435	324,435
2025-2026	108,807	2,362	111,169
	<u>\$ 1,310,033</u>	<u>\$ 295,874</u>	<u>\$1,605,907</u>

The revenue bonds of the Water Fund are payable from operations of the Water Fund. The revenue bonds are collateralized by the revenue of the water system and assets of the water fund established by the bond ordinances.

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Receivable Fund	Payable Fund	
General	Major Street	\$ 4,445
	Local Street	25
	Building Inspector	2,917
	Water	3,588
	Golf	4,581
		<u>\$ 15,556</u>
Water	General	<u>\$ 725</u>

The General Fund interfund receivables are for employee wages and benefits and rent related expenses paid by the General Fund on behalf of other funds and will be reimbursed in fiscal year 2010. The Water Fund interfund receivable is for fire hydrant rental charges billed to the General Fund that will be paid in fiscal year 2010.

NOTE 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS, CONCLUDED

	Transfers In			Total
	Major Street Fund	Local Street Fund	Capital Projects Fund	
Transfers out				
General Fund	\$ 5,000	\$ 5,000	\$ 67,610	\$ 77,610

The General Fund transferred funds to the Major Street and Local Street Funds to fund street re-pavement projects that were completed in 2009. The General Fund transferred funds to the Capital Projects Fund to fund various budgeted capital projects during 2009.

NOTE 8. RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village carries insurance for these risks. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF GRAND BEACH

**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
For the Year Ended October 31, 2009**

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance with Amended <u>Budget</u>
Fund Balance - Beginning of Year	\$ 610,123	\$ 610,123	\$ 610,123	
Resources(Inflows)				
Property Taxes	\$ 636,300	\$ 664,175	\$ 690,549	26,374
State-shared revenues	15,900	15,900	15,024	(876)
Grants	1,150	26,685	31,584	4,899
Interest	11,000	11,000	695	(10,305)
Fines and forfeits	400	400	1,420	1,020
Miscellaneous fees	3,050	3,050	9,237	6,187
Rents and royalties	67,000	67,000	69,259	2,259
Local revenue sharing	-	-	59,050	59,050
Miscellaneous revenues	4,000	4,000	12,836	8,836
Amounts Available for Appropriation	<u>\$ 1,348,923</u>	<u>\$ 1,402,333</u>	<u>\$ 1,499,777</u>	
Charges to Appropriations(Outflows)				
General Government				
Council	\$ 34,325	\$ 35,025	\$ 29,046	5,979
Office	54,425	46,025	44,806	1,219
Elections	2,000	2,000	190	1,810
Hall and grounds	29,050	28,550	20,581	7,969
Planning commission	-	18,000	15,570	2,430
Maintenance garage	37,850	36,525	35,643	882
Public Safety				
Police	241,600	245,200	231,234	13,966
Public Works				
Public Works	44,375	54,325	54,247	78
Sanitation	39,725	42,925	41,809	1,116
Recreation and Culture				
Parks and recreation	11,225	9,625	5,684	3,941
Beaches	10,550	9,050	8,942	108
Employee benefits	197,069	210,819	197,656	13,163
Capital outlay	-	-	-	-
Transfers to other funds	48,575	77,610	77,610	-
Total Charges to Appropriations	<u>\$ 750,769</u>	<u>\$ 815,679</u>	<u>\$ 763,018</u>	
Fund Balance - End of Year	<u>\$ 598,154</u>	<u>\$ 586,654</u>	<u>\$ 736,759</u>	

VILLAGE OF GRAND BEACH**BUDGETARY COMPARISON SCHEDULE – BUILDING INSPECTOR FUND
For the Year Ended October 31, 2009**

	Original and Final		Variance
	<u>Budget</u>	<u>Actual</u>	with Amended <u>Budget</u>
Fund Balance - Beginning of Year	\$ 138,124	\$ 138,124	
Resources(Inflows)			
Licenses and permits	\$ 41,000	\$ 25,295	(15,705)
Amounts Available for Appropriation	<u>\$ 179,124</u>	<u>\$ 163,419</u>	
Charges to Appropriations(Outflows)			
Building inspection	81,550	52,703	28,847
Total Charges to Appropriations	<u>\$ 81,550</u>	<u>\$ 52,703</u>	
Fund Balance - End of Year	<u><u>\$ 97,574</u></u>	<u><u>\$ 110,716</u></u>	

OTHER SUPPLEMENTAL INFORMATION

VILLAGE OF GRAND BEACH**COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS****October 31, 2009**

	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 14,952	\$ 29,747	\$ 44,699
Due from other governments	4,134	3,499	7,633
Total assets	<u>\$ 19,086</u>	<u>\$ 33,246</u>	<u>\$ 52,332</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 10,577	\$ 11,692	\$ 22,269
Due to other governmental funds	4,445	25	4,470
Total liabilities	<u>\$ 15,022</u>	<u>\$ 11,717</u>	<u>\$ 26,739</u>
Fund balance			
Unreserved:			
Undesignated reported in:			
Special Revenue Funds	<u>\$ 4,064</u>	<u>\$ 21,529</u>	<u>\$ 25,593</u>
Total liabilities and fund balance	<u>\$ 19,086</u>	<u>\$ 33,246</u>	<u>\$ 52,332</u>

VILLAGE OF GRAND BEACH

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
-NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended October 31, 2009**

	Major Street Fund	Local Street Fund	Total
Revenues			
State-shared revenues	\$ 30,454	\$ 22,203	\$ 52,657
Interest income	-	-	-
Total revenues	\$ 30,454	\$ 22,203	\$ 52,657
Expenditures			
Public Works:			
Road maintenance:			
Wages	\$ 7,515	\$ 2,562	\$ 10,077
Fringe benefits	4,582	1,703	6,285
Supplies	1,346	1,340	2,686
Equipment rental	7,116	2,585	9,701
Routine maintenance	11,060	11,536	22,596
	\$ 31,619	\$ 19,726	\$ 51,345
Winter maintenance:			
Wages	\$ 5,014	\$ 4,701	\$ 9,715
Fringe benefits	2,730	2,579	5,309
Supplies	3,546	2,365	5,911
Equipment rental	7,600	7,308	14,908
	\$ 18,890	\$ 16,953	\$ 35,843
Road maintenance administration:			
Administrative costs	\$ 1,503	\$ 1,254	\$ 2,757
Total expenditures	\$ 52,012	\$ 37,933	\$ 89,945
Deficiency of Revenues Under Expenditures	\$ (21,558)	\$ (15,730)	\$ (37,288)
Other Financing Sources (Uses)			
Transfers in	\$ 5,000	\$ 5,000	\$ 10,000
Transfers out	-	-	-
Total other financing sources (uses)	\$ 5,000	\$ 5,000	\$ 10,000
Net Change in Fund Balance	\$ (16,558)	\$ (10,730)	\$ (27,288)
Fund Balance, beginning of year	20,622	32,259	52,881
Fund Balance, end of year	\$ 4,064	\$ 21,529	\$ 25,593



To the Village Council
and Management of Village of Grand Beach, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Grand Beach, Michigan as of and for the year ended October 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered Village of Grand Beach, Michigan'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village'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 Grand Beach, Michigan's internal control to be significant deficiencies:

Financial Reporting Process


Personnel responsible for financial reporting have time and monetary constraints that require assistance in preparing the financial statements and related footnotes. The staff of the Village does understand all information included in the annual financial statements, but obtains assistance in the preparation. Internal controls should be in place to provide reasonable assurance to the Village that management prepare, monitor, and report annual financial activity without auditor intervention. The effect of this condition places a reliance on the independent auditor to be part of the Village's internal controls over financial reporting. The Village should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

Segregation of Duties

The Village lacks an appropriate segregation of incompatible duties with appropriate control objectives. We understand this is primarily due to the limited number of accounting personnel and financial constraints.

This communication is intended solely for the information and use of management, the 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.

A handwritten signature in cursive script that reads "Schaffer & Layher".

Schaffer & Layher
St. Joseph, Michigan
February 12, 2010