

June 27, 2011

Village Council
Village of Mackinaw City

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *Village of Mackinaw City* (the “Village”) for the year ended February 28, 2011, and have issued our report thereon dated June 27, 2011. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated December 30, 2010, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Village. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the Village’s financial statements are free of material misstatement, we performed tests of the Village’s compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters on May 3, 2011.

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 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 the year. We noted no transactions entered into by the Village 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. There are no sensitive estimates recorded by the Village.

Difficulties Encountered in Performing the Audit

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

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. Attached is the schedule of corrected financial statement misstatements, which includes the misstatements detected as a result of audit procedures and corrected by management.

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 auditors' 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 attached management representation letter.

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 entity’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 Village’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

A handwritten signature in cursive script, reading "Lehmann Johnson".

VILLAGE OF MACKINAW CITY

Attachment A – Consideration of Internal Control Over Financial Reporting

For the Year Ended February 28, 2011

In planning and performing our audit of the financial statements of the *Village of Mackinaw City* (the “Village”) 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 the Village’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Village’s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

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. The deficiencies we noted that we consider to be material weaknesses are described in our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

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. The deficiency we noted that we consider to be a significant deficiency is described in our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

VILLAGE OF MACKINAW CITY

Attachment A – Consideration of Internal Control Over Financial Reporting

For the Year Ended February 28, 2011

Other Matters

New Standard Regarding Fund Balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement changes the classifications of fund balance in governmental funds, and somewhat modifies the definition of special revenue funds. GASB 54 will be effective for the Village's fiscal year ending February 29, 2012. However, the provisions of the Statement may require the Village Council to take formal action well before then in order to meet the revised guidelines. We have provided management with a separate letter that details the specific requirements of this new standard, and encourage management to review it to determine what action, if any, may be required. As always, we are available to assist the Village with any questions relating to the implementation of GASB 54.

Recording of Prepaid Assets

At present, the Village does not record certain prepaid assets. Although at the present time, these assets and liabilities are immaterial to the Village for audit purposes, we recommend the Village consider recording these items.

Michigan Finance Qualifying Statement

All governmental units subject to the Revised Municipal Finance Act (PA34 of 2001) must submit a Michigan Finance Qualifying Statement that allows governmental units to be eligible to apply for financing during the fiscal year. The Village must submit their qualifying statement electronically using the Michigan Department of Treasury's website. The qualifying statement is due to the Michigan Department of Treasury by August 28, 2011.

Electronically Filing the Financial Statements

The Michigan Department of Treasury has issued Numbered Letter 2005-2 which requires (under the authority of Michigan Compiled Law 141.427(1) that all audits required in accordance with Public Act 2 of 1968 and Public Act 71 of 1919 be submitted electronically to the Treasury in a Portable Document Format (PDF) compatible with Adobe Acrobat. We have provided the necessary information, in this electronic format, to the Village Clerk to enable the Village to comply.

VILLAGE OF MACKINAW CITY

Attachment A – Consideration of Internal Control Over Financial Reporting

For the Year Ended February 28, 2011

Conclusion

We would like to thank Village Council for its business and to thank the Village's management team for their assistance during the audit.

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**Village of Mackinaw City
Adjusting journal entries
February 28, 2011**

Account #	Description	Debit	Credit
General Fund			
101-000-0201	RECEIVABLE FROM FEDERAL DNR GRANT	\$ 11,534	
101-000-5740	STATE SHARED REVENUE		\$ 11,534
1	To adjust state shared revenue to actual.		
101-000-2640	FRINGE BENEFITS	22,750	
101-000-7140	FRINGE-FRINGE		22,750
2	To closeout 7140 fringe account.		
101-000-3900	FUND BALANCE	347	
101-101-7400	OPERATING SUPPLIES		347
3	To adjust fund balance to actual.		
101-999-9991	PROJECT GRADUATION-CASH		34
101-999-9992	PROJECT GRADUATION-CONTRIBUTION PAYABLE	34	
101-999-9993	CANINE FUND - CASH	751	
101-999-9994	CANINE FUND - CONTRIBUTION PAYABLE		751
101-999-9995	SHOP WITH A COP - CASH	395	
101-999-9996	SHOP WITH A COP - CONTRIBUTIONS PAYABLE		395
4	Record ending cash balance in small police accounts.		
590-548-7510	GAS/OIL	191	
590-556-7510	GAS/OIL	191	
590-000-2020	ACCOUNTS PAYABLE		382
425-691-7510	GAS/OIL	70	
425-000-2020	ACCOUNTS PAYABLE		70
661-901-9300	R/M EQUIPMENT	4,284	
661-000-2020	ACCOUNTS PAYABLE		4,284
210-346-7510	GAS/OIL	229	
210-000-2020	ACCOUNTS PAYABLE		229
661-901-7510	GAS/OIL	870	
661-000-2020	ACCOUNTS PAYABLE		870
101-172-7510	GAS/OIL	40	
101-336-7510	GAS/OIL	21	
101-301-7510	GAS/OIL	800	
101-000-2020	ACCOUNTS PAYABLE		861
101-203-8010	ATTORNEY CONTRACTED SERVICES	1,074	
101-000-2020	ACCOUNTS PAYABLE		1,074
101-000-4030	CURRENT PROPERTY TAX	4,018	
101-000-6880	REFUND	3,066	
101-000-4030	CURRENT PROPERTY TAX	95	
101-000-2020	ACCOUNTS PAYABLE		7,179
5	To move 2011 expenses which were paid in 2012 into A/P.		
490-102-1990	DUE TO/FROM COMBINED FUND	6,078	
101-102-1990	DUE TO/FROM COMBINED FUND		6,078
101-269-9742	MARTIN PROPERTY PURCHASE	6,078	
490-000-6910	CONTRIB FROM GENERAL FUND		6,078
102-101-1990	GENERAL FUND CASH	6,078	
102-490-1990	PLANNING COMM. CASH		6,078
6	To transfer funds to cover deficit fund balance in Planning Commission Fund.		

Village of Mackinaw City
Adjusting journal entries
February 28, 2011

Account #	Description	Debit	Credit
101-000-2040	ACCRUED PAYROLL	\$ 10,143	
101-172-7020	WAGES		\$ 2,121
101-215-7020	WAGES		842
101-253-7020	WAGES		974
101-265-7020	WAGES		516
101-269-7020	WAGES		32
101-269-7021	VPR/S/V		286
101-301-7020	WAGES		5,356
101-691-7020	WAGES		16
7	To reverse prior year accrued payroll.		
101-000-4030	CURRENT PROPERTY TAX	202,684	
101-000-0200	TAXES RECEIVABLE		202,684
101-000-0200	TAXES RECEIVABLE	182,644	
101-000-4030	CURRENT PROPERTY TAX		182,644
8	To reverse prior year and record current year property tax receivable and revenue.		
Major Street			
202-000-5690	GAS & WEIGHT TAX	6,896	
202-000-0400	ACCOUNTS RECEIVABLE		6,896
202-000-0400	ACCOUNTS RECEIVABLE	14,081	
202-000-5690	GAS & WEIGHT TAX		14,081
9	To reverse prior year and record current year PA 51 receivable.		
202-000-6755	FEDERAL REVENUE		284,181
202-451-9742	E. CENTRAL IMPROVEMENTS	284,181	
10	To record Federal Revenue related to MDOT administered grant for E. Central project.		
202-000-2040	ACCRUED PAYROLL	1,244	
202-463-7020	WAGES		30
202-478-7020	WAGES		629
202-483-7020	WAGES		585
11	To reverse prior year accrued wages.		
Local Street			
203-000-5690	GAS & WEIGHT TAX	3,493	
203-000-0400	ACCOUNTS RECEIVABLE		3,493
203-000-0400	ACCOUNTS RECEIVABLE	6,563	
203-000-5690	GAS & WEIGHT TAX		6,563
12	To reverse prior year and record current year PA 51 receivable.		
203-000-2040	ACCRUED PAYROLL	765	
203-463-7020	WAGES		70
203-478-7020	WAGES		110
203-483-7020	WAGES		585
13	To reverse prior year accrued wages.		
Municipal Street			
204-000-4030	CURRENT PROPERTY TAX	72,190	
204-000-0200	TAXES RECEIVABLE		72,190
204-000-0200	TAXES RECEIVABLE	65,028	
204-000-4030	CURRENT PROPERTY TAX		65,028
14	To reverse prior year and record current year property tax revenue and receivable.		

**Village of Mackinaw City
Adjusting journal entries
February 28, 2011**

Account #	Description	Debit	Credit
204-000-3100	DEFERRED REVENUE-WEST JAMET	\$ 7,926	
204-000-0410	SPECIAL ASSESSMENT RECEIVABLE-WEST JAMET		\$ 7,926
15	To adjust special assessment receivable and deferred revenue for amounts collected in current year - W. Jamet.		
204-000-6722	SPECIAL ASSESSMENT REVENUE - W. JAMET		146
204-000-6642	INTEREST INCOME-W. JAMET	146	
16	To adjust special assessment revenue for amounts that relate to penalties and should be recorded as interest income.		
204-000-3100	DEFERRED REVENUE-WEST JAMET	3,653	
204-000-0410	SPECIAL ASSESSMENT RECEIVABLE-WEST JAMET		3,653
204-000-6642	INTEREST INCOME-W. JAMET		1,631
204-000-6722	SPECIAL ASSESSMENT REVENUE - W. JAMET	1,631	
17	To adjust special assessment receivable/deferred revenue for amounts collected in current year from the county - W. Jamet.		
204-000-6643	INTEREST INCOME - LOUVIGNY	242	
204-000-3900	FUND BALANCE		242
18	To agree fund balance with prior year financial statements.		
204-000-3102	DEFERRED REVENUE-M-108	3,260	
204-000-0412	SPECIAL ASSESSMENT RECEIVABLE-M-108		3,260
19	To adjust special assessment receivable and deferred revenue for amounts collected in the current year - M-108.		
204-000-3102	DEFERRED REVENUE-M-108	1,223	
204-000-0412	SPECIAL ASSESSMENT RECEIVABLE-M-108		1,223
20	To adjust special assessment receivable/deferred revenue for amounts collected in the current year from the county - M-108.		
204-000-6722	SPECIAL ASSESSMENT REVENUE - W. JAMET	147	
204-000-6641	INTEREST INCOME - M-108		147
21	To reclassify amounts recorded as special assessment revenue that related to penalties and should be recorded as interest income.		
204-000-3103	DEFERRED REVENUE - LOUVIGNY	1,208	
204-000-0413	SPECIAL ASSESSMENT RECEIVABLE - LOUVIGNY		1,208
22	To adjust special assessment A/R and deferred revenue for principal amounts collected from the county related to Louvigny Phase I.		
204-000-0413	SPECIAL ASSESSMENT RECEIVABLE - LOUVIGNY	3,642	
204-000-3103	DEFERRED REVENUE - LOUVIGNY		3,642
23	To adjust beginning special assessment A/R and deferred revenue to actual.		
204-000-3105	DEFERRED REVENUE-N HURON	1,494	
204-000-0415	SPECIAL ASSESSMENT RECEIVABLE-N HURON		1,494
24	To adjust special assessment A/R and deferred revenue for principal amounts collected during the year related to North Huron.		
204-000-3101	DEFERRED REVENUE-WEST CENTRAL	6,579	
204-000-0411	SPECIAL ASSESSMENT RECEIVABLE-WEST CENTRAL		6,579
25	To adjust special assessment A/R and deferred revenue for amounts collected in the current year - W. Central.		
204-000-3101	DEFERRED REVENUE-WEST CENTRAL	1,907	
204-000-0411	SPECIAL ASSESSMENT RECEIVABLE-WEST CENTRAL		1,907
26	To adjust special assessment A/R and deferred revenue for amounts collected from the county in the current year - W. Central.		
204-444-9653	BOND PAYMENT	10,289	
204-000-6721	SPECIAL ASSESSMENTS REVENUE - W. CENTRAL		6,633
204-000-6644	INTEREST INCOME - W. CENTRAL		3,656
27	To reclassify special assessment revenue that was receipted into the incorrect fund - W. Central.		
204-000-6721	SPECIAL ASSESSMENTS REVENUE - W. CENTRAL		677
204-000-6644	INTEREST INCOME - W. CENTRAL		1,231
204-444-9653	BOND PAYMENT	1,908	
28	To reclassify special assessment revenue related to delinquent amounts collected from the county that was receipted into the incorrect fund - W. Central.		

**Village of Mackinaw City
Adjusting journal entries
February 28, 2011**

Account #	Description	Debit	Credit
204-000-0411	SPECIAL ASSESSMENT RECEIVABLE-WEST CENTRAL	\$ 1,230	
204-000-3101	DEFERRED REVENUE-WEST CENTRAL		\$ 1,230
204-000-6721	SPECIAL ASSESSMENTS REVENUE - W. CENTRAL	54	
204-000-6644	INTEREST INCOME - W. CENTRAL		54
204-000-3102	DEFERRED REVENUE-M-108	1,164	
204-000-0412	SPECIAL ASSESSMENT RECEIVABLE-M-108		1,164
204-000-6720	SPECIAL ASSESSMENTS REVENUE - M-108	147	
204-000-6641	INTEREST INCOME - M-108		147
29	To adjust special assessment accounts to actual - W. Central and M 108.		
204-000-0675	DUE FROM OTHER FUNDS	15,504	
204-000-0670	DELINQUENT ASSESSMENTS RECVABL-W.JAMET		15,504
30	To reclassify prior year audit entry which was recorded to the wrong account.		
204-000-0671	DELINQUENT ASSESSMENTS RECVABL-W CENTRAL	3,419	
204-000-6722	SPECIAL ASSESSMENT REVENUE - W. JAMET		2,557
204-000-6642	INTEREST INCOME-W. JAMET		862
31	To reclassify delinquent special assessment revenue which was recorded to special assessment receivable.		
204-000-6641	INTEREST INCOME - M-108	1,165	
204-000-6720	SPECIAL ASSESSMENTS REVENUE - M-108		1,165
32	To reclassify M-108 SA principal and interest.		
Cemetery			
209-000-4030	CURRENT PROPERTY TAX	4,627	
209-000-0200	TAXES RECEIVABLE		4,627
209-000-0200	TAXES RECEIVABLE	4,162	
209-000-4030	CURRENT PROPERTY TAX		4,162
33	To reverse prior year and record current year property tax revenue and receivable.		
Ambulance			
210-346-9620	MISCELLANEOUS	22	
210-000-3900	FUND BALANCE		22
34	To adjust fund balance to actual.		
210-000-2040	ACCRUED PAYROLL	1,998	
210-346-7020	WAGES		1,998
35	To reverse prior year accrued wages.		
#216 Fund			
216-000-0400	ACCOUNTS RECEIVABLE	61,449	
216-000-6682	TOWER LEASE		23,949
216-000-6422	ICE REVENUE		37,500
36	To record revenue and receivable from Sprint, AT&T and Skating Association.		
216-000-6422	ICE REVENUE	10,000	
216-000-0400	ACCOUNTS RECEIVABLE		10,000
37	To properly record Skating Association revenue to reduce receivable.		
301-932-9650	TRANS REPAY MAJOR ST FOR ADVAN	23,000	
301-102-1990	BOND RESERVE		23,000
216-102-1990	DUE FROM/TO COMBINED FUNDS	23,000	
216-000-6760	CONTRIB. FROM OTHER FUND		23,000
38	To close out debt service fund into recreation center fund.		

**Village of Mackinaw City
Adjusting journal entries
February 28, 2011**

Account #	Description	Debit	Credit
425-102-1990	DUE TO/FROM COMBINED FUND	\$ 9,614	
216-102-1990	DUE FROM/TO COMBINED FUNDS		\$ 9,614
216-000-9650	CONTRIBUTION TO OTHER FUND	11,248	
425-000-6760	CONTRIB. FROM OTHER FUND		11,248
425-000-0670	DUE FROM OTHER FUNDS	1,634	
216-000-2140	DUE TO OTHER FUNDS		1,634
102-216-1990	RECREATION COMPLEX-SPECIAL REVENUE	9,614	
102-425-1990	RECREATION CASH		9,614
39	To transfer funds to cover deficit fund balance.		
#244 Fund			
244-000-4030	CURRENT PROPERTY TAX	13,853	
244-000-0200	TAXES RECEIVABLE		13,853
244-000-0200	TAXES RECEIVABLE	10,974	
244-000-4030	CURRENT PROPERTY TAX		10,974
40	To reverse prior year and record current year property tax revenue and receivable.		
#295 Fund			
295-000-6900	REV/DONATIONS		200
295-102-1990	DUE TO/FROM OTHER FUNDS	200	
102-000-0020	PAYROLL CHECKING	200	
102-295-1990	DUE TO/FROM OTHER FUNDS		200
41	To reverse double posting of miscellaneous revenue.		
#308 Fund			
308-000-3100	DEFERRED REVENUE	5,668	
308-000-0410	SPECIAL ASSESSMENT RECEIVABLE		5,668
42	To adjust special assessment receivable for amounts collected in current year related to amounts turned over to County from prior year.		
308-000-6720	SPECIAL ASSESSMENTS	932	
308-000-6640	INTEREST INCOME		932
43	To adjust special assessment revenue and interest to actual on special assessment for Nicolet project.		
#310 Fund			
310-000-6720	SPECIAL ASSESSMENTS	7,939	
310-000-6640	INTEREST INCOME	2,350	
310-000-6911	CONTRIBUTION SPEC. ASSESSMENT		10,289
44	To reclassify special assessment revenue that was receipted into the incorrect fund for W. Central.		
310-000-6720	SPECIAL ASSESSMENTS	1,908	
310-000-6911	CONTRIBUTION SPEC. ASSESSMENT		1,908
45	To reclassify special assessment revenue related to delinquent taxes collected from the county.		
#362 Fund			
352-906-9950	INTEREST EXPENSE	1,099	
352-000-6990	CONTRIB. FROM DDA		1,099
46	To adjust interest expense and contribution from DDA to actual.		
#363 Fund			
363-932-9950	INTEREST EXPENSE	61	
363-932-9951	PRINCIPAL ON BONDS		61
47	To reclass principal and interest expense.		

**Village of Mackinaw City
Adjusting journal entries
February 28, 2011**

Account #	Description	Debit	Credit
#374 Fund			
374-000-3100	DEFERRED REVENUE	\$ 543	
374-000-0410	SPECIAL ASSESSMENT RECEIVABLE		\$ 543
48	To adjust amounts to actual - S. Huron Project - closed out in prior year.		
374-000-6640	INTEREST INCOME	47	
374-102-1990	DUE TO/FROM COMBINED FUND		47
102-374-1990	23/STRAITS 2000 SPEC ASST	47	
102-000-0020	PAYROLL CHECKING		47
49	To reverse double posting of interest income.		
#375 Fund			
375-000-6720	SPECIAL ASSESSMENTS	957	
375-000-6640	INTEREST INCOME		957
50	To correct incorrect posting of interest income on special assessment receipt.		
375-000-3100	DEFERRED REVENUE	3,527	
375-000-0410	SPECIAL ASSESSMENT RECEIVABLE		3,527
51	To adjust deferred revenue and A/R Louvingney II.		
375-000-3100	DEFERRED REVENUE	3,378	
375-000-0410	SPECIAL ASSESSMENT RECEIVABLE		3,378
375-000-6640	INTEREST INCOME		2,899
375-000-6720	SPECIAL ASSESSMENTS	2,899	
52	To adjust special assessment receivable for amounts collected in current year related to amounts collected from the county.		
375-000-6720	SPECIAL ASSESSMENTS	1,393	
375-000-2140	DUE TO OTHER FUND		1,393
204-000-0675	DUE FROM OTHER FUNDS	1,393	
204-000-6723	SPECIAL ASSESSMENT REVENUE - LOUVIGNY		1,208
204-000-6643	INTEREST INCOME - LOUVIGNY		185
53	To reclassify special assessments amounts recored as revenue in the incorrect fund to relate to Louvingy - phase 1.		
#376 Fund			
376-000-6720	SPECIAL ASSESSMENTS	1,796	
376-000-6640	INTEREST	569	
376-000-6918	TRANS FROM 09 CAP IMPT FUND		2,365
204-444-9653	BOND PAYMENT	2,365	
204-000-6725	N HURON SPEC ASST PRINC		1,494
204-000-6640	INTEREST INCOME		871
54	To adjust principal payments received on the H. Huron project into fund 376 instead of fund 204.		

**Village of Mackinaw City
Adjusting journal entries
February 28, 2011**

Account #	Description	Debit	Credit
Fund #425			
425-000-2040	ACCRUED PAYROLL	\$ 877	
425-691-7020	WAGES		\$ 877
55	To reverse prior year accrual .		
Water/Sewer Fund			
590-000-1500	IMPROVE OTHER THAN BUILDINGS-SEWER	400,000	
590-000-1501	IMPROVE OTHER THAN BUILDINGS-WATER	300,000	
590-000-1510	DEPRECIATION OTHER THAN BLDGS.-SEWER		80,000
590-000-1511	DEPRECIATION OTHER THAN BLDGS.-WATER		60,000
* 590-000-3902	PPA SEWER		320,000
** 590-000-3901	PPA WATER		240,000
56	To record prior period adjustment for donation of water and sewer system. * Lana post this amount to account 590-000-3960 ** Lana post this amount to account 590-000-3961		
590-000-2040	ACCRUED PAYROLL	5,357	
590-548-7020	WAGES		3,195
590-556-7020	WAGES		2,162
57	To reverse prior year accrued wages.		
590-000-6642	INTEREST INCOME	3,190	
590-000-3900	FUND BALANCE		3,190
58	To agree fund balance to prior year financial statements. Village has interest earnings account coded as a balance sheet account and needs to be changed to a revenue account.		
590-000-3011	WATER BONDS PAYABLE	5,000	
590-000-3000	CURRENT PORTION LTD-WATER		5,000
59	To adjust current portion of LTD.		
590-000-1401	WATER EQUIPMENT	59,702	
590-556-9770	WATER CAPITAL OUTLAY		14,436
590-548-9770	CAPITAL OUTLAY		14,434
590-556-9300	R/M EQUIPMENT		21,931
590-556-7400	OPERATING SUPPLIES		8,901
60	To record water additions.		
590-548-9590	DEPRECIATION EXPENSE-SEWER	137,689	
590-556-9590	DEPRECIATION EXPENSE-WATER	57,139	
590-000-1370	SEWER DEPRECIATION BUILDINGS		3,410
590-000-1371	WATER DEPRECIATION BUILDINGS		1,128
590-000-1510	DEPRECIATION OTHER THAN BLDGS.-SEWER		121,450
590-000-1511	DEPRECIATION OTHER THAN BLDGS.-WATER		39,240
590-000-1410	SEWER DEPRECIATION EQUIPMENT		12,829
590-000-1411	WATER DEPRECIATION EQUIPMENT		16,771
61	To record current year depreciation.		
590-000-1411	WATER DEPRECIATION EQUIPMENT	4,794	
590-000-1401	WATER EQUIPMENT		4,794
62	To record current year disposals.		

**Village of Mackinaw City
Adjusting journal entries
February 28, 2011**

Account #	Description	Debit	Credit
590-548-9620	MISCELLANEOUS	\$ 366	
590-223-9951	WATER DEBT ADMIN. INT.		\$ 366
63	To reclassify interest expense to miscellaneous expense.		
590-000-0340	WATER/SEWER DELINQUENT BILLS	1,052	
590-102-1990	DUE TO/FROM COMBINED FUND		1,052
102-590-1990	WATER SEWER CASH	1,052	
102-703-1990	TAX COLLECTION		1,052
64	To reverse double posting of delinquent water/sewer receipts.		
590-000-0200	TAXES RECEIVABLE	17,071	
590-000-0340	WATER/SEWER DELINQUENT BILLS		17,071
65	To reclassify recording of delinquent collections which was recorded to the wrong account.		
Marina Fund			
594-544-8810	MARINA - XMAS DECORATIONS	28	
594-000-3950	MARINA RETAINED EARNINGS		28
66	To adjust fund balance to actual.		
594-000-0400	ACCOUNTS RECEIVABLE	6,528	
594-000-3100	DEFERRED REVENUE-SEASONAL	60,244	
594-000-6531	TEMPORARY MOORAGE		
594-000-6534	SEASONAL MOORAGE 2000		66,772
67	To adjust 2010/11 seasonal moorage revenue.		
594-000-0012	DUE FROM SPHERIX CREDIT CARDS	16,177	
594-000-6530	MOORAGE TRANSIENT		16,177
68	To adjust revenue and receivable for revenue which was actually received.		
594-544-9590	DEPRECIATION EXPENSE-MARINA	44,286	
594-000-1530	DEPRECIATION LAND IMPROVEMENTS		2,856
594-000-1410	MARINA DEPREC. MACH/EQUIP		762
594-000-1550	MARINA ACCUM/DEPRECIATION		40,668
69	To record current year depreciation.		
594-000-0012	DUE FROM SPHERIX CREDIT CARDS	31,787	
594-000-0011	MARINA CHARGE ACCTS.		31,787
70	To combine receivable accounts which offset each other.		
594-000-1540	MARINA	14,391	
594-544-9770	CAPITAL OUTLAY		14,391
71	To record current year additions.		
594-000-2040	ACCRUED PAYROLL	1,051	
594-544-7020	WAGES		1,051
72	To reverse prior year accrued wages.		
Equipment Fund			
661-000-1400	MACHINERY/EQUIPMENT	47,555	
661-901-9770	CAPITAL OUTLAY EQUIPMENT		47,555
73	To record current year additions.		
661-000-1410	EQUIP DEPRECIATION		65,657
661-901-9590	EQUIPMENT DEPRECIATION	65,657	
74	To adjust internal service fund depreciation for year.		
661-000-2040	ACCRUED PAYROLL	598	
661-901-7020	WAGES		598
75	To reverse prior year accrued wages.		

**Village of Mackinaw City
Adjusting journal entries
February 28, 2011**

Account #	Description	Debit	Credit
661-000-9951	INTEREST EXPENSE		1,517
661-901-9651	TRANSFER '04 BOND FUND	1,517	
352-906-9950	INTEREST EXPENSE	1,517	
352-000-6992	CONTRIB. FROM EQUIP. FUND		1,517
76	To transfer interest expense to fund 352.		
661-000-1400	MACHINERY/EQUIPMENT	\$ 135,212	
661-000-3000	LONG TERM DEBT		\$ 102,212
661-000-1410	EQUIP DEPRECIATION	81,668	
661-000-1400	MACHINERY/EQUIPMENT		89,092
661-000-6990	GAIN FROM DISPOSAL		25,576
661-000-3000	LONG TERM DEBT	8,415	
661-000-9951	INTEREST EXPENSE	449	
661-901-9770	CAPITAL OUTLAY EQUIPMENT		8,864
77	To record purchase of John Deere loader and related debt/trade-in.		
661-000-3000	LONG TERM DEBT	33,291	
661-000-3001	CP LTD		33,291
78	To record current portion of LTD.		

Village of Mackinaw City
Government-wide financial statements adjusting journal entries
February 28, 2011

Account #	Description	Debit	Credit
934-000-1320	GASB 34 - GA CAPITAL ASSETS	\$ 86,427	
934-000-1322	GASB 34 - GA CAP ASSETS CONSTRUCTION IN PROCESS		\$ 86,427
1	To reclassify CIP to infrastructure.		
934-000-6880	GASB 34 - GA ISF NET INCOME		17,252
934-170-0000	GASB 34 - GA GENERAL GOVT EXPENSES	6,135	
934-640-0000	GASB 34 - GA HIGHWAYS AND STREETS EXPENSES	10,098	
934-740-0000	GASB 34 - GA HEALTH AND WELFARE EXP	69	
934-840-0000	GASB 34 - GA RECREATION	950	
2	To allocate net income from Internal Service Funds back to participating governmental and enterprise funds.		
934-000-3000	GASB 34 - GA LONG-TERM DEBT	208,402	
934-905-9910	GASB 34 - GA PRINCIPAL EXPENSE		208,405
934-170-0000	GASB 34 - GA GENERAL GOVT EXPENSES	3	
3	Record debt service principal payments expense as a offset to long term debt.		
934-000-2020	GASB 34 - GA ACCOUNTS PAYABLE	2,674	
934-905-9950	GASB 34 - GA INTEREST EXPENSE		2,674
4	To adjust accrued interest payable.		
934-000-3000	GASB 34 - GA LONG-TERM DEBT		14,416
934-000-3010	GASB 34 - GA CURRENT PORTION OF LTD	14,416	
5	To adjust current portion of LTD for governmental fund types.		
934-000-4010	GASB 34 - GA SPECIAL ASSESSMENT REVENUE	39,757	
934-000-2980	GASB 34 - GA DEFERRED REVENUE		39,757
6	To reduce current year revenue for special assessments collected and recorded as current year revenue for the individual fund statemen		
934-000-1320	GASB 34 - GA CAPITAL ASSETS	427,678	
934-902-0000	GASB 34 - GA CAPITAL OUTLAY EXPENSE-HS		374,685
934-840-0000	GASB 34 - GA RECREATION		25,893
934-300-0000	GASB 34 - GA PUBLIC SAFETY EXPENSES		27,100
7	To capitalize governmental funds capital outlay for current year.		
934-900-0000	GASB 34 - GA CAPITAL OUTLAY EXPENSE-GG		137,156
934-170-0000	GASB 34 - GA GENERAL GOVT EXPENSES	18,416	
934-300-0000	GASB 34 - GA PUBLIC SAFETY EXPENSES	34,667	
934-440-0000	GASB 34 - GA PUBLIC WORKS EXPENSES		
934-840-0000	GASB 34 - GA RECREATION	2,482	
934-740-0000	GASB 34 - GA HEALTH AND WELFARE EXP		
934-640-0000	GASB 34 - GA HIGHWAYS AND STREETS EXPENSES	81,591	
8	To reclassify capital outlay accounts that were not capitalized.		

Village of Mackinaw City
Government-wide financial statements adjusting journal entries
February 28, 2011

Account #	Description	Debit	Credit
934-170-0000	GASB 34 - GA GENERAL GOVT EXPENSES	\$ 57,217	
934-300-0000	GASB 34 - GA PUBLIC SAFETY EXPENSES	70,925	
934-440-0000	GASB 34 - GA PUBLIC WORKS EXPENSES	9,496	
934-640-0000	GASB 34 - GA HIGHWAYS AND STREETS EXPENSES	206,523	
934-740-0000	GASB 34 - GA HEALTH AND WELFARE EXP	11,574	
934-840-0000	GASB 34 - GA RECREATION	88,855	
934-000-1330	GASB 34 - GA ACCUMULATED DEPRECIATION		\$ 444,590
9	To record current year depreciation expense by function for governmental assets.		
934-000-3001	GASB 34 - GA ACCRUED COMPENSATION		9,610
934-170-0000	GASB 34 - GA GENERAL GOVT EXPENSES	3,378	
934-300-0000	GASB 34 - GA PUBLIC SAFETY EXPENSES	6,884	
934-440-0000	GASB 34 - GA PUBLIC WORKS EXPENSES		912
934-840-0000	GASB 34 - GA RECREATION	260	
10	To adjust accrued sick and vacation to actual.		
934-170-0000	GASB 34 - GA GENERAL GOVT EXPENSES	1,414	
934-000-2990	GASB 34 - OPEB LIABILITY		1,414
11	To record change in liability related to other postemployment benefits.		

Village of Mackinaw City

102 South Huron Avenue, P.O. Box 580, Mackinaw City, Michigan 49701

Telephone: (231) 436-5351 Fax: (231) 436-4166

www.mackinawcity.org village@mackinawcity.org

June 27, 2011

Rehmann Robson
PO Box 250
Cheboygan, MI 49721

We are providing this letter in connection with your audit of the financial statements of the **Village of Mackinaw City** (the "Village") as of February 28, 2011 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village and the respective changes in financial position and, where applicable, cash flows thereof in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of June 27, 2011, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government and all component units required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
2. We have made available to you all –
 - a. Financial records and related data.
 - b. Minutes of the meetings of Village Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.



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Equal Employment Opportunity and Service Provider

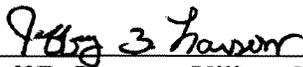
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We are in agreement with the adjusting journal entries you have proposed, and they have been posted.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the Village involving:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Village received in communications from employees, former employees, analysts, regulators, or others.
9. We have a process to track the status of audit findings and recommendations.
10. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
11. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
12. The Village has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
13. The following, if any, have been properly recorded or disclosed in the financial statements:
 - a. Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

For the purpose of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
 - b. Guarantees, whether written or oral, under which the Village is contingently liable.
 - c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.

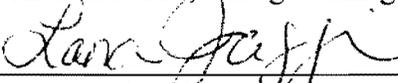
14. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
15. There are no –
 - a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance.
 - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with generally accepted accounting principles (*FASB Accounting Standards Codification 450, Contingencies*, formerly *Statement of Financial Accounting Standards No. 5*).
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles (*FASB Accounting Standards Codification 450, Contingencies*, formerly *Statement of Financial Accounting Standards No. 5*).
 - d. Reservations or designation of fund equity that was not properly authorized and approved.
16. As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
17. The Village has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as disclosed.
18. The Village has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
19. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
20. The financial statements include all component units as well as joint ventures with an equity interest, if any, and properly disclose all other joint ventures and other related organizations.
21. The financial statements properly classify all funds and activities.

22. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
23. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
24. Provisions for uncollectible receivables have been properly identified and recorded.
25. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
26. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
27. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
28. Deposits and investment securities are properly classified as to risk, and investments, if any, are properly valued.
29. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
30. We acknowledge our responsibility for the required supplementary information (RSI). The required supplementary information is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

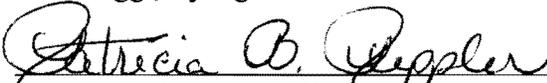
No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.



Jeff B. Lawson, Village Manager



Lana Jaggi, Village Clerk



Patricia B. Peppler, Village Treasurer