

CHRISTOPHER S. OLSON

5878 North Ridge Road – Gaylord, MI 49735

January 9, 2014

Mr. Harlan Goodrich, Manager, Local Audit & Finance
Ms. Suzanne Schafer, Administrator, Local Audit & Finance
Mr. Eric Cline, Specialist, Office of Fiscal Responsibility
Michigan Department of Treasury
Lansing, MI 48909

goodrichh@michigan.gov
schafers7@michigan.gov
Cliner1@michigan.gov
Treas_MunicipalFinance@michigan.gov

RE: Deficit Elimination Plan for the Village of Elberta, MI, ID # 10-3-030

Dear Ladies and Gentlemen:

Attached for your review is the Deficit Elimination Plan for the Village of Elberta, MI, as directed by Michigan Department of Treasury on October 4, 2013. The Village Council approved the plan and its transmittal to the Treasury Department in their special meeting yesterday evening. The entire plan is comprised of this letter, five-year financial projections for the funds in deficit condition, an explanatory narrative, and the prioritizations from a work-study session.

The General Fund deficit is wholly eliminated within the next five fiscal years as outlined in the projections and narrative. As to timing, the plan was authored for fiscal years 2014-15 through 2018-19. I utilized the Village's reported fund balance of -\$558,496 from its detailed audit (page 31) rather than the -\$560,806 shown on page 13; I have never seen the term "unspendable fund balance" but am awaiting explanation from the Village auditor. However, the deficit elimination plan projects that even the \$2,310 of "unspendable fund balance" identified on page 13 will also be overcome within the five year period. The reasons for utilizing fiscal years 2014-15 through 2018-19 are as follows:

- The Village contracted me to work with them on this plan on December 27, 2013; since the current fiscal year ends on February 28, 2014, I was not able to have any impact on the completed 10 months (83%) of the fiscal year. I have advised the Village Council to put a moratorium on all non-essential spending for the remaining seven weeks of the fiscal year.
- My projections, which include end-of-year FY 2013-14, show that the deficit will increase to about \$577,287. This full amount will be eliminated, but it will take five full fiscal years rather than four.

I did not show the impacts on the wastewater fund with the restoration of the borrowed funds, but the annual surplus each year in the General Fund would be directed to pay off its debt to the sewer fund. In doing financial projections for all of the Village's operational funds as part of this plan, I wanted to make sure that the sewer operations would be financially viable on its own merits, rather than having to examine the repayment impact.

In addition to resolving the general fund deficit, I also projected that the Village's Parks and Recreation Fund (fund 208) would also go into a deficit condition at the end of FY 2013-14. I also examined the negative cash balance condition of the Water Fund (fund 591). I have supplied plans to correct both of those deficits as well, and the projections are shown on the attached. The Council approved those plans yesterday evening as well.

I appreciate the time and consideration that you have shown in the short time frame to complete this work. If there are any questions, please feel free to contact me at either of the numbers or the e-mail address below.

Very truly yours,

Christopher S. Olson

Christopher S. Olson, MPA