

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2014

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

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## INDEPENDENT AUDITOR'S REPORT

August 8, 2014

To the Township Board  
Township of Bear Lake  
Kalkaska County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, of the Township of Bear Lake, Kalkaska County, Michigan, as of and for the year ended March 31, 2014, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Bear Lake, Kalkaska County, Michigan, as of March 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods

of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell Auditing CPA, PLC*

CAMPBELL AUDITING CPA, PLC

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2014

This section of the Township of Bear Lake's annual financial report presents our discussion and analysis of the financial performance during the fiscal year ended March 31, 2014. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net position at March 31, 2014, totaled \$1,196,701.25 for governmental activities. Of this total, \$766,891.73 represents capital assets net of depreciation and related debt. Overall, net position decreased \$16,099.18 from the prior year.

Overall revenues were \$271,236.33. Overall expenses were \$262,559.99.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

This annual report consists of the basic financial statements and required supplementary information.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net position includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net position and how it has changed. Net position is the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net position are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These would include the General Fund, Fire Fund, Rescue Fund, and Gypsy Moth Fund.

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan  
CONDENSED FINANCIAL INFORMATION  
For the Year Ended March 31, 2014

	<u>Total Governmental Activities 2014</u>
Current Assets	431 474
Capital Assets	<u>766 892</u>
<b>Total Assets</b>	<b><u>1 198 366</u></b>
Current Liabilities	1 665
Non-current Liabilities	<u>-</u>
<b>Total Liabilities</b>	<b><u>1 665</u></b>
Net Position:	
Invested in Capital Assets	766 892
Unrestricted	<u>429 809</u>
<b>Total Net Position</b>	<b><u><u>1 196 701</u></u></b>

	<u>Total Governmental Activities 2014</u>
Program Revenues:	
Fees and Charges for Services	64 566
General Revenues:	
Property Taxes	126 591
Other Taxes	19 231
State Revenue Sharing	51 641
Interest	734
Miscellaneous	<u>8 473</u>
<b>Total Revenues</b>	<b><u>271 236</u></b>
Program Expenses:	
Legislative	26 659
General Government	125 249
Public Safety	103 042
Public Works	<u>32 385</u>
<b>Total Expenses</b>	<b><u>287 335</u></b>
Change in Net Position	(16 099)
Net Position, April 1, 2013	<u>1 212 800</u>
Net Position, March 31, 2014	<u><u>1 196 701</u></u>

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2014

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include: General Fund, Fire Fund, Rescue Fund, and Gypsy Moth Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

The Township's combined net position decreased \$16,099.18 during the year ended March 31, 2014, totaling \$1,196,701.25. The change was due in part to increased expenditures for Highways and streets. Refer to Page 4 for a summary of the Township's financial activity and change in net position.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund: This fund is used to record all activities of the Township not required to be recorded in a separate fund. This would include legislative, administrative, elections, public safety, public works, and building and grounds. The major source of revenue for the General Fund is from the property tax base and the revenue sharing from the State of Michigan.

Fire, Gypsy Moth, and Rescue Funds: These funds are used to record revenues and expenses for the fire protection, gypsy moth control, and rescue vehicle operation.

BUDGETARY HIGHLIGHTS

The Township's budget was compiled and adopted prior to the beginning of the fiscal year. Amendments were made during the year to bring budgeted items closer to economic reality. Revenues were \$4,818.84 over budget due in part to State revenue sharing payments being higher than anticipated. Expenses were \$34,356.05 under budget due in part to expenditures for Highways and streets falling short of expectations.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$7,954.03 in capital assets.

Refer to Note 4 for summary of the Township's capital asset activity.

The Township paid \$0 of principal on long term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Township's plans for the future include improvements to road endings, remodeling of office, kitchen, bathrooms, and continuation of yearly clean-up day for Township residents.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact Carol Rosenberg, Clerk, by calling (231) 258-4871 any time Monday through Friday.

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET POSITION  
March 31, 2014

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	417 107 83
Taxes receivable	<u>14 366 12</u>
Total Current Assets	<u>431 473 95</u>
NON-CURRENT ASSETS:	
Capital Assets	1 512 395 43
Less: Accumulated Depreciation	<u>(745 503 70)</u>
Total Non-current Assets	<u>766 891 73</u>
TOTAL ASSETS	<u><u>1 198 365 68</u></u>
LIABILITIES AND NET POSITION:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>1 664 43</u>
Total Current Liabilities	<u>1 664 43</u>
NON-CURRENT LIABILITIES:	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>1 664 43</u>
NET POSITION:	
Invested in Capital Assets, Net of Related Debt	766 891 73
Unrestricted	<u>429 809 52</u>
Total Net Position	<u>1 196 701 25</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>1 198 365 68</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2014

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	26 658 74	-	(26 658 74)
General government	125 249 17	29 962 12	(95 287 05)
Public safety	103 042 56	-	(103 042 56)
Public works	<u>32 385 04</u>	<u>34 604 34</u>	<u>2 219 30</u>
Total Governmental Activities	<u>287 335 51</u>	<u>64 566 46</u>	<u>(222 769 05)</u>
General Revenues:			
Property taxes			126 590 64
Other taxes			19 231 10
State revenue sharing			51 641 51
Interest			733 86
Miscellaneous			<u>8 472 76</u>
Total General Revenues			<u>206 669 87</u>
Change in net position			(16 099 18)
Net position, beginning of year			<u>1 212 800 43</u>
Net Position, End of Year			<u>1 196 701 25</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS

March 31, 2014

	<u>General</u>	<u>Fire</u>	<u>Non-major (Gypsy Moth)</u>	<u>Non-major (Rescue)</u>	<u>Total</u>
<u>Assets</u>					
Cash in bank	241 566 22	144 638 81	11 095 04	19 239 24	416 539 31
Taxes receivable	8 490 90	4 350 43	-	1 524 79	14 366 12
Due from other funds	568 52	-	-	-	568 52
Total Assets	<u>250 625 64</u>	<u>148 989 24</u>	<u>11 095 04</u>	<u>20 764 03</u>	<u>431 473 95</u>
<u>Liabilities and Fund Equity</u>					
Liabilities:					
Accounts payable	1 664 43	-	-	-	1 664 43
Total liabilities	<u>1 664 43</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 664 43</u>
Fund equity:					
Fund balances:					
Restricted	-	148 989 24	11 095 04	20 764 03	180 848 31
Unassigned	248 961 21	-	-	-	248 961 21
Total fund equity	<u>248 961 21</u>	<u>148 989 24</u>	<u>11 095 04</u>	<u>20 764 03</u>	<u>429 809 52</u>
Total Liabilities and Fund Equity	<u>250 625 64</u>	<u>148 989 24</u>	<u>11 095 04</u>	<u>20 764 03</u>	<u>431 473 95</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
March 31, 2014

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	429 809 52
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	1 512 395 43
Accumulated depreciation	<u>(745 503 70)</u>
TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES	<u><u>1 196 701 25</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2014

	<u>General</u>	<u>Fire</u>	<u>Non-major (Gypsy Moth)</u>	<u>Non-major (Rescue)</u>	<u>Total</u>
Revenues:					
Property taxes	49 962 64	56 879 77	-	19 748 23	126 590 64
Other taxes – swamp	19 231 10	-	-	-	19 231 10
State revenue sharing	51 641 51	-	-	-	51 641 51
Charges for services – PTAF	29 962 12	-	-	-	29 962 12
Interest	501 28	177 28	55 30	-	733 86
Special assessments	34 604 34	-	-	-	34 604 34
Miscellaneous	6 327 85	2 144 91	-	-	8 472 76
Total revenues	<u>192 230 84</u>	<u>59 201 96</u>	<u>55 30</u>	<u>19 748 23</u>	<u>271 236 33</u>
Expenditures:					
Legislative:					
Township Board	26 658 74	-	-	-	26 658 74
General government:					
Supervisor	16 501 83	-	-	-	16 501 83
Elections	3 873 90	-	-	-	3 873 90
Assessor	18 493 07	-	-	-	18 493 07
Clerk	17 004 24	-	-	-	17 004 24
Board of Review	995 48	-	-	-	995 48
Treasurer	22 752 57	-	-	-	22 752 57
Building and grounds	42 361 08	-	-	-	42 361 08
Public safety:					
Fire protection	-	54 430 45	-	-	54 430 45
Rescue	-	-	-	19 149 56	19 149 56
Public works:					
Highways and streets	32 385 04	-	-	-	32 385 04
Capital outlay	<u>-</u>	<u>7 954 03</u>	<u>-</u>	<u>-</u>	<u>7 954 03</u>
Total expenditures	<u>181 025 95</u>	<u>62 384 48</u>	<u>-</u>	<u>19 149 56</u>	<u>262 559 99</u>
Excess (deficiency) of revenues over expenditures	11 204 89	(3 182 52)	55 30	598 67	8 676 34
Fund balances, April 1, 2013	<u>237 756 32</u>	<u>152 171 76</u>	<u>11 039 74</u>	<u>20 165 36</u>	<u>421 133 18</u>
Fund Balances, March 31, 2014	<u>248 961 21</u>	<u>148 989 24</u>	<u>11 095 04</u>	<u>20 764 03</u>	<u>429 809 52</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2014

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 8 676 34

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

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(32 729 55)
Capital Outlay	<u>7 954 03</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (16 099 18)

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

CURRENT TAX COLLECTION FUND STATEMENT OF  
CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2014

	<u>Balance</u> <u>4/1/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/14</u>
<u>Assets</u>				
Cash in bank	<u>537 65</u>	<u>2 022 441 65</u>	<u>2 022 410 78</u>	<u>568 52</u>
<u>Liabilities</u>				
Due to other funds	537 65	179 569 85	179 538 98	568 52
Due to others	-	1 842 871 80	1 842 871 80	-
Total Liabilities	<u><u>537 65</u></u>	<u><u>2 022 441 65</u></u>	<u><u>2 022 410 78</u></u>	<u><u>568 52</u></u>

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year ended March 31, 2014

Cash in bank – beginning of year	<u>537 65</u>
Cash receipts:	
Taxes	2 003 321 39
Property tax administration fees	<u>19 120 26</u>
Total cash receipts	<u>2 022 441 65</u>
Total beginning balance and cash receipts	<u>2 022 979 30</u>
Cash disbursements:	
Township General Fund	103 363 90
Township Fire Fund	56 423 65
Township Rescue Fund	19 751 43
Kalkaska Public Transit	13 176 39
Kalkaska Public Schools	668 432 89
Crawford AuSable School District	194 790 08
Kirtland Community College	26 408 94
COOR Intermediate School District	10 575 41
TBA Intermediate School District	123 490 62
Kalkaska County	715 725 35
Kalkaska Memorial Health Center	84 419 16
Refunds	<u>5 852 96</u>
Total cash disbursements	<u>2 022 410 78</u>
Cash in Bank – End of Year	<u><u>568 52</u></u>

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Bear Lake, Kalkaska County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Bear Lake. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the non-fiduciary activities of the primary government. 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. All the Township's government-wide activities are considered governmental activities.

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

Major individual governmental funds are reported as separate columns in the fund financial statements.

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. 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. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, restricted resources are applied first.

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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.



TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Position or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2013 tax roll millage rate was 2.2227 mills, and the taxable value was \$54,690,898.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	15-40 years
Equipment	5-15 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

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.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.

The proposed budgets include expenditures as well as the methods of financing them.

Public hearings are held to obtain taxpayer comments.

The budgets are adopted at the activity level by a majority vote of the Township Board.

The budgets are adopted on the modified accrual basis of accounting.

The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

The adopted budgets are used as a management control device during the year for all budgetary funds.

Budget appropriations lapse at the end of each fiscal year.

The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; 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 obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date 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. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>417 107 83</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	422 899 99
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>422 899 99</u>

The Township of Bear Lake did not have any investments as of March 31, 2014.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/13	Additions	Deletions	Balance 3/31/14
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	462 330 00	-	-	462 330 00
Subtotal	462 330 00	-	-	462 330 00
Capital assets being depreciated:				
Buildings	520 500 00	-	-	520 500 00
Equipment	521 611 40	7 954 03	-	529 565 43
Subtotal	1 042 111 40	7 954 03	-	1 050 065 43
Total	1 504 441 40	7 954 03	-	1 512 395 43
Accumulated Depreciation:				
Buildings	(312 936 00)	(8 892 00)	-	(321 828 00)
Equipment	(399 838 15)	(23 837 55)	-	(423 675 70)
Total	(712 774 15)	(32 729 55)	-	(745 503 70)
Net Capital Assets	791 667 25	(24 775 52)	-	766 891 73

Depreciation expense was charged to the following activities:

General government	3 267 00
Public safety	29 462 55
	32 729 55

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Bear Lake does not issue building permits. Building permits are issued by the County of Kalkaska.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>568 52</u>	Current Tax Collection	<u>568 52</u>
Total	<u>568 52</u>	Total	<u>568 52</u>

The above amounts reflect property taxes that were collected but not paid to the General Fund during the year.

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended March 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	49 000 00	49 000 00	46 962 64	962 64
Other taxes	17 000 00	17 000 00	19 231 10	2 231 10
State revenue sharing	48 000 00	48 000 00	51 641 51	3 641 51
Charges for services – PTAF	28 600 00	28 600 00	29 962 12	1 362 12
Interest	1 000 00	1 000 00	501 28	(498 72)
Special assessments	17 510 00	37 557 00	34 604 34	(2 952 66)
Miscellaneous	6 255 00	6 255 00	6 327 85	72 85
Total revenues	167 365 00	187 412 00	192 230 84	4 818 84
Expenditures:				
Legislative:				
Township Board	30 000 00	30 000 00	26 658 74	(3 341 26)
General government:				
Supervisor	16 860 00	16 860 00	16 501 83	(358 17)
Elections	4 580 00	4 580 00	3 873 90	(706 10)
Assessor	17 900 00	18 820 00	18 493 07	(326 93)
Clerk	18 120 00	18 120 00	17 004 24	(1 115 76)
Board of Review	1 300 00	1 300 00	995 48	(304 52)
Treasurer	23 430 00	23 430 00	22 752 57	(677 43)
Building and grounds	45 550 00	45 550 00	42 361 08	(3 188 92)
Unallocated	16 985 00	15 665 00	-	(15 665 00)
Public works:				
Highways and streets	20 610 00	41 057 00	32 385 04	(8 671 96)
Total expenditures	195 335 00	215 382 00	181 025 95	(34 356 05)
Excess (deficiency) of revenues over expenditures	(27 970 00)	(27 970 00)	11 204 89	39 174 89
Fund balance, April 1, 2013	27 970 00	27 970 00	237 756 32	209 786 32
Fund Balance, March 31, 2014	-	-	248 961 21	248 961 21

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND

Year ended March 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	56 000 00	56 000 00	56 879 77	879 77
Interest	100 00	100 00	177 28	77 28
Miscellaneous	<u>1 250 00</u>	<u>7 430 90</u>	<u>2 144 91</u>	<u>(5 285 99)</u>
Total revenues	<u>57 350 00</u>	<u>63 530 90</u>	<u>59 201 96</u>	<u>(4 328 94)</u>
Expenditures:				
Public safety:				
Fire protection	65 950 00	65 950 00	54 430 45	(11 519 55)
Capital outlay	<u>8 000 00</u>	<u>14 180 90</u>	<u>7 954 03</u>	<u>(6 226 87)</u>
Total expenditures	<u>73 950 00</u>	<u>80 130 90</u>	<u>62 384 48</u>	<u>(17 746 42)</u>
Excess (deficiency) of revenues over expenditures	(16 600 00)	(16 600 00)	(3 182 52)	13 417 48
Fund balance, April 1, 2013	<u>16 600 00</u>	<u>16 600 00</u>	<u>152 171 76</u>	<u>135 571 76</u>
Fund Balance, March 31, 2014	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>148 989 24</u></u>	<u><u>148 989 24</u></u>

TOWNSHIP OF BEAR LAKE  
Kalkaska County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year ended March 31, 2014

Township Board:	
Salaries and wages	6 735 00
Payroll taxes	530 98
Legal	855 50
Printing and publishing	707 46
Dues	902 70
Contracted services	16 377 60
Miscellaneous	549 50
	<u>26 658 74</u>
Supervisor:	
Salary	14 790 00
Payroll taxes	1 134 93
Miscellaneous	576 90
	<u>16 501 83</u>
Elections:	
Salaries	1 027 50
Supplies	937 76
Contracted services	1 818 67
Miscellaneous	89 97
	<u>3 873 90</u>
Assessor:	
Salary	15 000 00
Payroll taxes	1 147 56
Miscellaneous	2 345 51
	<u>18 493 07</u>
Clerk:	
Salary	14 910 00
Payroll taxes	1 203 59
Supplies	640 65
Miscellaneous	250 00
	<u>17 004 24</u>
Board of Review:	
Salaries	590 00
Payroll taxes	29 48
Mileage	376 00
	<u>995 48</u>
Treasurer:	
Salary	16 615 04
Payroll taxes	1 283 24
Supplies	915 74
Contracted services	949 32
Printing and publishing	1 568 28
Postage	1 420 95
	<u>22 752 57</u>
Building and grounds:	
Supplies	5 053 68
Contracted services	14 473 88
Insurance	11 939 59
Repairs and maintenance	4 441 48
Utilities	6 452 45
	<u>42 361 08</u>
Highways and streets:	
Repairs and maintenance	29 673 54
Street lighting	2 711 50
	<u>32 385 04</u>
Total Expenditures	<u><u>181 025 95</u></u>



# CAMPBELL AUDITING CPA, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

August 8, 2014

To the Township Board  
Township of Bear Lake  
Kalkaska County, Michigan

We have audited the financial statements of the Township of Bear Lake for the year ended March 31, 2014. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Bear Lake in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Bear Lake  
Kalkaska County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

#### **PREPARATION OF FINANCIAL STATEMENTS**

Government units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the governmental unit rests with the governmental unit's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many governmental units to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal control.

To the Township Board  
Township of Bear Lake  
Kalkaska County, Michigan

**COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**  
(cont.)

PREPARATION OF FINANCIAL STATEMENTS (cont.)

The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the governmental unit's annual financial statements and notes to the financial statements in accordance with GAAP. The governmental unit relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We do not recommend any changes to this situation at this time and we communicate this as required by professional standards.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, for the year ended March 31, 2014.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell Auditing CPA, PLC*

CAMPBELL AUDITING CPA, PLC