

**TOWNSHIP OF BEAR LAKE, MICHIGAN**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED MARCH 31, 2014**

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## INDEPENDENT AUDITOR'S REPORT

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

***Report on the Financial Statements***

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

***Management's Responsibility for the Financial Statements***

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.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

### ***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, Michigan, as of March 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2014, on our consideration of the Township of Bear Lake, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Township of Bear Lake, Michigan's internal control over financial reporting and compliance.



Gabridge & Company, PLC  
Interlochen, MI  
August 8, 2014

## Management's Discussion and Analysis

As management of the Township of Bear Lake, Michigan (The "Township" or "government") we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements.

### Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$1,131,943 (net position). Of this amount, \$412,618 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the Township's governmental funds reported combined fund balances of \$1,024,298, an increase of \$110,989 in comparison with the prior year. Approximately 41% of this amount (\$412,618) is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$412,618, or approximately 167% of total general fund expenditures.

### Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the Township's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., capital asset activity).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, fire protection, fire equipment, and road maintenance. The township does not report any business-type activities.

The government-wide financial statements can be found on pages 13 - 14 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the fire equipment fund, the roads fund, fire fund, and fire vehicle fund which are all considered to be major funds.

The Township adopts an annual appropriated budget for the general fund and each special revenue fund. A budgetary comparison schedule for the general fund and each major special revenue fund has been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 15 - 18 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Township has one type of fiduciary fund, an *agency fund*.

The *agency fund* reports resources held by the Township in a custodial capacity for individuals and other governments.

The basic fiduciary fund financial statement can be found on page 19 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 20 - 30 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Township's budgetary comparison schedules.

Required supplementary information can be found on pages 32 - 36 of this report.

## Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Township, assets exceeded liabilities by \$1,131,943, at the close of the most recent fiscal year.

### Township of Bear Lake Net Position as of March 31, 2013 and March 31, 2014

	Governmental Activities	
	2013	2014
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash & Cash Equivalents	\$ 886,535	\$ 991,626
Taxes Receivable	14,303	20,761
Due from State	16,428	15,851
<b>Total Current Assets</b>	<u>917,266</u>	<u>1,028,238</u>
<i>Noncurrent Assets</i>		
Capital Assets (Net)	132,004	107,645
<b>Total Assets</b>	<u>1,049,270</u>	<u>1,135,883</u>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts Payable	3,958	3,940
<b>Total Liabilities</b>	<u>3,958</u>	<u>3,940</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	132,004	107,645
Restricted	510,814	611,680
Unrestricted	402,494	412,618
<b>Total Net Position</b>	<u>\$ 1,045,312</u>	<u>\$ 1,131,943</u>

The Township's net position (10%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net position (\$611,680, or 44%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$412,618, or 46%, is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.



The Township reported consistent levels of assets and liabilities on March 31, 2014 compared to March 31, 2013. There was an overall increase in net position. A comparative analysis of the Township's revenues is provided in the next section of this report.

At the end of the current fiscal year, the Township is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental activities and funds. The same situation held true for the prior fiscal year.

The Township's overall net position increased \$86,630 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities.

**Township of Bear Lake  
Change in Net Position for Fiscal Years  
Ended March 31, 2013 and March 31, 2014**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2014</b>
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for Services	\$ 16,000	\$ 27,822
Operating Grants & Contributions	-	16,021
<b><i>Total Program Revenues</i></b>	<u>16,000</u>	<u>43,843</u>
<b>General Revenues</b>		
Property Taxes & Assessments	186,761	249,071
State Revenue Sharing	108,473	108,330
Interest Income	5,157	1,816
Other	44,784	8,003
<b><i>Total General Revenues</i></b>	<u>345,175</u>	<u>367,220</u>
<b>Total Revenues</b>	<u>361,175</u>	<u>411,063</u>
<b>Expenses</b>		
General Government	160,907	155,886
Public Safety	76,722	68,438
Public Works	86,344	88,755
Community & Economic Development	10,355	10,154
Recreation & Culture	4,535	1,200
<b><i>Total Expenses</i></b>	<u>338,863</u>	<u>324,433</u>
<b><i>Change in Net Position</i></b>	22,312	86,630
<i>Net Position at Beginning of Period</i>	<u>1,023,000</u>	<u>1,045,313</u>
<b><i>Net Position at End of Period</i></b>	<u>\$ 1,045,313</u>	<u>\$ 1,131,943</u>

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased \$86,630 from the prior fiscal year for an ending balance of \$1,131,943. While the

current recession certainly had an impact on the Township, management was able to take various actions (e.g., delaying certain nonrecurring expenses, reducing expenses related to non-essential ongoing programs in the culture and recreation function) that neutralized its effect on governmental activities. The increase in net position of the governmental activities is consistent with prior years, with one exception. There was an increase in tax revenue from a new millage for a fire vehicle. This increased tax revenues during the year by approximately \$53,303.

### **Financial Analysis of Governmental Funds**

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Township itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Township's Board.

At March 31, 2014, the Township's governmental funds reported combined fund balances of \$1,024,298, an increase of \$110,989 in comparison with the prior year. Approximately 40% of this amount (\$412,618) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *restricted* to indicate that it is restricted for the purposes of the original millage (\$611,680).

The *general fund* is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$412,618. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 167 percent of total general fund expenditures.

The fund balance of the Township's general fund increased by \$21,866 during the current fiscal year, which is consistent with prior years.

The *fire operating fund*, a major fund, had a \$19,765 increase in fund balance during the current fiscal year which put the overall fund balance at \$120,820. The overall activity and increase in fund balance for the fire operating fund was fairly consistent with prior year's results.

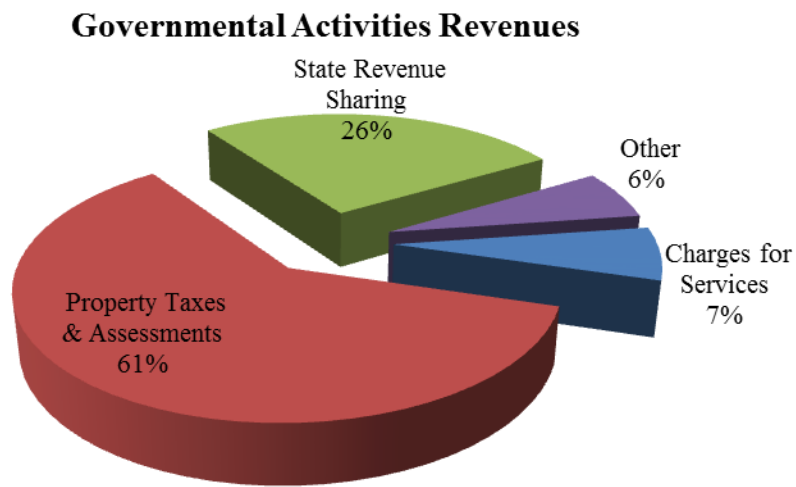
The *fire equipment fund*, a major fund, had a \$17,791 increase in fund balance during the current fiscal year which put the overall fund balance at \$234,360. The overall activity and increase in fund balance for the fire equipment fund was fairly consistent with prior year's results.

The *roads fund*, a major fund, had a \$1,736 decrease in fund balance during the current fiscal year which put the overall fund balance at \$151,590. The overall activity and decrease in fund balance for the road fund is related to a transfer out to the general fund during the year in the amount of \$7,701 to cover road construction projects financed by the general fund.

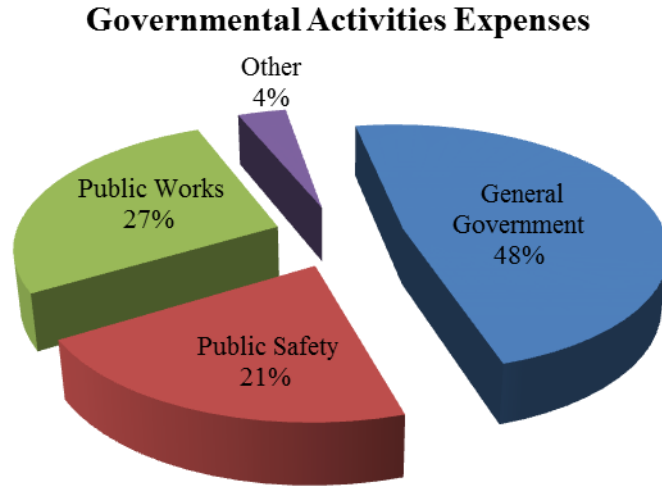
The *fire vehicle fund*, a major fund, had a \$53,303 increase in fund balance during the current fiscal year which put the overall fund balance at the same \$53,303 figure, as the 2013 tax millage was the first activity that the fire vehicle fund reported. The entire fund balance of the fire vehicle fund, along with future tax millages, are going to finance the purchase of a \$380,000 fire truck.

### Governmental Activities

The following chart summarizes the revenue sources for the governmental activities of the Township for the most recent fiscal year end.



The following chart summarizes the expenses for the governmental activities of the Township for the most recent fiscal year end.



**General Fund Budgetary Highlights**

*Original budget compared to final budget.* During the year there was no need for any significant amendments to increase the original estimated revenues or expenditures.

*Final budget compared to actual results.* During the current fiscal year the Township had the no significant budget variances between the amended budget compared to actual results.

**Capital Assets and Debt Administration**

***Capital assets***

The Township’s investment in capital assets for its governmental activities as of March 31, 2014, amounts to \$107,645 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, and vehicles. More detailed information regarding the Township’s capital assets can be found in note 4.

	<u>2014</u>	<u>2013</u>
Land	\$ 23,000	\$ 23,000
Vehicles	21,319	25,583
Buildings	6,961	7,955
Equipment	56,365	75,466
Totals	<u>\$ 107,645</u>	<u>\$ 132,004</u>

### ***Long-term Debt***

The township remained debt free during the year.

### **Economic Condition and Outlook**

Management estimates that roughly \$260,000 of revenues will be available for appropriation in the general fund for the upcoming budget year, which is consistent with 2014's results. Expenditures are expected to change by small amounts compared to 2014. The Township continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2015, the Township plans again to use current revenues to provide essential services and to maintain the Township's financial reserves at similar levels. Property tax revenues are expected to change minimally reflecting fairly stable property values. State revenue sharing revenues are trending toward a modest increase in future years as well. The ongoing costs of providing essential services for the citizens of the Township will again need to be monitored in order to maintain the financial condition of the Township.

### **Contacting the Township**

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Township of Bear Lake  
PO Box 187  
7771 Lake St.  
Bear Lake, MI 49614

**BASIC FINANCIAL STATEMENTS**

TOWNSHIP OF BEAR LAKE, MICHIGAN

**Township of Bear Lake  
Statement of Net Position  
March 31, 2014**

	<b>Primary Government</b>
	<b>Governmental Activities</b>
<b>ASSETS</b>	
<i>Current Assets</i>	
Cash & Cash Equivalents	\$ 991,626
Taxes Receivable	20,761
Due from State	15,851
<b>Total Current Assets</b>	<b>1,028,238</b>
<i>Noncurrent Assets</i>	
Capital Assets (Net)	107,645
<b>Total Assets</b>	<b>1,135,883</b>
<b>LIABILITIES</b>	
<i>Current Liabilities</i>	
Accounts Payable	3,940
<b>Total Liabilities</b>	<b>3,940</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	107,645
<i>Restricted for:</i>	
Fire	408,483
Cemetery	51,607
Roads	151,590
<i>Unrestricted</i>	412,618
<b>Total Net Position</b>	<b>\$ 1,131,943</b>

The Notes to the Financial Statements are an integral part of these Financial Statements.

**Township of Bear Lake  
Statement of Activities  
For the Year Ended March 31, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
<b>Primary Government Governmental Activities:</b>					
General Government	\$ 155,886	\$ 3,250	\$ --	\$ --	\$ (152,636)
Public Safety	68,438	22,572	16,021	--	(29,845)
Public Works	88,755	--	--	--	(88,755)
Community & Economic Development	10,154	2,000	--	--	(8,154)
Recreation & Culture	1,200	--	--	--	(1,200)
<b><i>Total Primary Government</i></b>	<b><u>\$ 324,433</u></b>	<b><u>\$ 27,822</u></b>	<b><u>\$ 16,021</u></b>	<b><u>\$ --</u></b>	<b><u>\$ (280,590)</u></b>

**General Purpose Revenues and Transfers:**

**Revenues**

Property Tax	249,071
State Revenue Sharing	108,330
Interest	1,816
Other	8,003

**Transfers**

<b><i>Total General Revenues and Transfers</i></b>	<b><u>367,220</u></b>
<b><i>Change in Net Position</i></b>	<b><u>86,630</u></b>
<i>Net Position at Beginning of Period</i>	1,022,524
<i>Restatement (See Note 9)</i>	22,789
<i>Net Position at Beginning of Period, Restated</i>	1,045,313
<b><i>Net Position at End of Period</i></b>	<b><u>\$ 1,131,943</u></b>

The Notes to the Financial Statements are an integral part of these Financial Statements.



**Township of Bear Lake  
Balance Sheet  
Governmental Funds  
March 31, 2014**

	Special Revenue					Total Governmental Funds
	General	Fire Operating	Fire Equipment	Roads	Fire Vehicle	
<b>ASSETS</b>						
Cash & Cash Equivalents	\$ 440,999	\$ 117,671	\$ 232,786	\$ 151,590	\$ 48,580	\$ 991,626
Taxes Receivable	11,315	3,149	1,574	--	4,723	20,761
Due from State	15,851	--	--	--	--	15,851
<b>Total Assets</b>	<b>\$ 468,165</b>	<b>\$ 120,820</b>	<b>\$ 234,360</b>	<b>\$ 151,590</b>	<b>\$ 53,303</b>	<b>\$ 1,028,238</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 3,940	\$ --	\$ --	\$ --	\$ --	\$ 3,940
<b>Total Liabilities</b>	<b>3,940</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>3,940</b>
<b>FUND BALANCE</b>						
Restricted	51,607	120,820	234,360	151,590	53,303	611,680
Unassigned	412,618	--	--	--	--	412,618
<b>Total Fund Balance</b>	<b>464,225</b>	<b>120,820</b>	<b>234,360</b>	<b>151,590</b>	<b>53,303</b>	<b>1,024,298</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 468,165</b>	<b>\$ 120,820</b>	<b>\$ 234,360</b>	<b>\$ 151,590</b>	<b>\$ 53,303</b>	<b>\$ 1,028,238</b>

The Notes to the Financial Statements are an integral part of these Financial Statements.

**Township of Bear Lake**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**March 31, 2014**

Total Fund Balance - Governmental Funds	\$ 1,024,298
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This amount represents capital assets of \$770,708, net of accumulated depreciation of \$663,063.	107,645
<b>Total Net Position - Governmental Funds</b>	<b>\$ <u>1,131,943</u></b>

The Notes to the Financial Statements are an integral part of these Financial Statements.

**Township of Bear Lake**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended March 31, 2014**

	Special Revenue					Total Governmental Funds
	General	Fire Operating	Fire Equipment	Roads	Fire Vehicle	
<b>Revenues</b>						
Property Tax	\$ 142,388	\$ 35,590	\$ 17,790	\$ --	\$ 53,303	\$ 249,071
Licenses & Permits	2,000	--	--	--	--	2,000
State Revenue Sharing	108,330	--	--	--	--	108,330
Federal Grant	--	--	13,650	--	--	13,650
Charges for Services	3,250	22,572	--	--	--	25,822
Interest	1,816	--	--	--	--	1,816
Other	4,409	--	--	5,965	--	10,374
<b>Total Revenues</b>	262,193	58,162	31,440	5,965	53,303	411,063
<b>Expenditures</b>						
General Government	150,538	--	--	--	--	150,538
Public Safety	--	41,124	11,722	--	--	52,846
Public Works	85,336	--	--	--	--	85,336
Community & Economic Development	10,154	--	--	--	--	10,154
Recreation & Culture	1,200	--	--	--	--	1,200
<b>Total Expenditures</b>	247,228	41,124	11,722	--	--	300,074
<b>Excess of Revenues Over (Under) Expenditures</b>	14,965	17,038	19,718	5,965	53,303	110,989
<b>Other Financing Sources (Uses)</b>						
Transfers In	7,701	2,727	--	--	--	10,428
Transfers Out	(800)	--	(1,927)	(7,701)	--	(10,428)
<b>Net Other Financing Sources (Uses)</b>	6,901	2,727	(1,927)	(7,701)	--	--
<b>Net Change in Fund Balance</b>	21,866	19,765	17,791	(1,736)	53,303	110,989
<i>Fund Balance at Beginning of Period</i>	419,727	102,312	215,155	153,326	--	890,520
<i>Restatement (See Note 9)</i>	22,632	(1,257)	1,414	--	--	22,789
<i>Fund Balance at Beginning of Period (Restated)</i>	442,359	101,055	216,569	153,326	--	913,309
<b>Fund Balance at End of Period</b>	\$ 464,225	\$ 120,820	\$ 234,360	\$ 151,590	\$ 53,303	\$ 1,024,298

The Notes to the Financial Statements are an integral part of these Financial Statements.

**Township of Bear Lake**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended March 31, 2014**

Total Net Change in Fund Balances - Governmental Funds	\$	110,989
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. This amount represents the current year depreciation expense of \$24,359.

		(24,359)
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<b>Changes in Net Position-Governmental Funds</b>	<b>\$</b>	<b><u>86,630</u></b>
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The Notes to the Financial Statements are an integral part of these Financial Statements.

**Township of Bear Lake  
Statement of Fiduciary Net Position  
Fiduciary Funds  
March 31, 2014**

	<b>Agency Fund</b>
	<b>Tax Collections</b>
<b>ASSETS</b>	
Cash & Cash Equivalents	\$ 86,420
<i>Total Assets</i>	86,420
<b>LIABILITIES</b>	
Due to Other Governments	86,420
<i>Total Liabilities</i>	86,420
<b>NET POSITION</b>	
Held in Trust	\$ --

The Notes to the Financial Statements are an integral part of these Financial Statements.

## Township of Bear Lake

### Notes to the Financial Statements

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#### Note 1 - Summary of Significant Accounting Policies

The financial statements of the Township of Bear Lake (the “Township” or “government”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township’s accounting policies are described below.

#### Reporting Entity

Bear Lake Township is located in Manistee County, Michigan. The Township is governed by an elected five member board. Services are provided to approximately 1,465 residents and include fire protection, community enrichment and development, and human services. The Township is a general law township governed by a five-member board elected by the citizens of the Township. The Township Board consists of the supervisor, clerk, treasurer, and two trustees.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 61, "*The Financial Reporting Entity*," these financial statements present the Township. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. There are no other units that should be included in the financial statements.

#### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are 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.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

## Township of Bear Lake

### Notes to the Financial Statements

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#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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 or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The Township of Bear Lake reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *fire equipment fund* accounts for the financial resources used to obtain and finance equipment of the Township's fire department. Revenues are primarily derived from property taxes.

The *fire operating fund* accounts for the townships fire protection services. Funding is primarily through property tax revenue.

The *road fund* accounts for the townships road infrastructure repair and maintenance. Funding is primarily through property tax revenue.

## Township of Bear Lake

### Notes to the Financial Statements

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The *fire vehicle fund* accounts for the financial resources used to obtain and finance a new fire truck for the Township's fire department. Revenues are primarily derived from property taxes.

In addition the Township reports the following governmental funds.

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for asset that the government holds for others in an agency capacity (such as taxes collected for other governments).

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

#### ***Budgetary Basis of Accounting***

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The general fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to the first day of the following fiscal year, the budget is legally enacted through passage of a resolution.
4. The legal level of budgetary control is at the activity level.
5. Budget appropriations lapse at year-end.
6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621, which was followed for the year ended March 31, 2014. Expenditures may not exceed appropriations. Any amendment to the original budget must meet the requirements of Public Act 621.



## Township of Bear Lake

### Notes to the Financial Statements

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#### **Assets, Liabilities, and Net Position or Equity**

##### *Cash and Cash Equivalents*

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes and Township policy authorize the Township to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
- Repurchase agreements consisting of bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- Bankers' acceptances of United States banks.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- Obligations described above if purchased through an inter local agreement under the Urban Cooperation Act of 1967.
- Investment pools organized under the Surplus Fund Investment Pool Act (Public Act 367 of 1982)

##### *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements, outstanding at the end of the fiscal year, are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

## Township of Bear Lake

### Notes to the Financial Statements

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#### ***Capital Assets***

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Description</u>	<u>Method</u>	<u>Life</u>
Land Improvements	Straight Line	15 - 30 Years
Buildings & Improvements	Straight Line	15 - 50 Years
Fire Vehicles	Straight Line	15 - 25 Years
Equipment	Straight Line	5 - 15 Years

#### ***Net Position Flow Assumption***

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond, millage, or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### ***Fund Balance Flow Assumptions***

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

## Township of Bear Lake

### Notes to the Financial Statements

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#### ***Fund Balance Policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Township Board is the highest level of decision-making authority for the government that can, by adoption of a resolution or motion prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution or motion remains in place until a similar action is taken (the adoption of another resolution or motion) to remove or revise the limitation.

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Township Board can assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

*Unassigned fund balance* is the residual classification for the Township's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by Bear Lake Township's Board.

Bear Lake Township does not have a formal minimum fund balance policy.

#### **Revenues and Expenditures / Expenses**

##### ***Property Tax Revenue Recognition***

The Township's property tax is levied on each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. It is the Township's policy to recognize revenues in the current year when the proceeds are budgeted and made available for the financing of Township operations. Payment from the county for the 2013 delinquent taxes, which it purchased subsequent to March 31, 2014 is recorded as delinquent taxes receivable in the each of the corresponding funds.

## Township of Bear Lake

### Notes to the Financial Statements

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#### *Use of Estimates*

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

#### **Note 2 - Excess of Expenditures over Appropriations**

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2014, the Township had no expenditures in excess of appropriations for any of its functions.

#### **Note 3 - Cash**

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in note 1. The Township's deposits and investment policy are in accordance with statutory authority.

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Primary Government</u>
Statement of Net Position	
Cash and Cash Equivalents	\$ 991,626
Statement of Fiduciary Net Position	
Cash and Cash Equivalents	<u>86,420</u>
Total Deposits	<u>\$ 1,078,046</u>

The breakdown between checking and savings accounts and CD's is as follows:

Deposits and Investments	
Checking and Savings Accounts	\$ 717,900
Certificates of Deposit	<u>360,146</u>
Total	<u>\$ 1,078,046</u>

## Township of Bear Lake

### Notes to the Financial Statements

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Non-negotiable certificates of deposits that are placed by the depositors directly with financial institutions and that are subject to a penalty if redeemed before maturity are treated as bank deposits. Because nonnegotiable certificates of deposits are deposits, no interest rate risk or credit risk disclosures are required, which are limited to investments.

**Custodial Credit Risk** - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year-end, \$545,305 of the Township's bank balance of \$1,078,046 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Township believes it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Interest Rate Risk** - Interest rate risk is the risk that changes in 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. The Township's policy states that cash equivalents are invested in short-term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk. At March 31, 2014, the fair value of the Township's investments is listed above with all maturities due within five years or less.

Maturity dates for investments and certificates of deposit held at year-end are summarized as follows:

	<u>Certificates of Deposit</u>
Due within one year	\$ 267,714
Due in 1-5 Years	92,432
	<u>\$ 360,146</u>

**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

### Notes to the Financial Statements

#### Note 4 - Capital Assets

Capital asset activity for governmental activities for the year ended March 31, 2014 was as follows:

Governmental Activities	Balance at March 31, 2013	Additions	Disposals	Balance at March 31, 2014
<b>Capital Assets not Being Depreciated</b>				
Land	\$ 23,000	\$ -	\$ -	\$ 23,000
<i>Total Capital Assets not Being Depreciated</i>	<u>23,000</u>	<u>-</u>	<u>-</u>	<u>23,000</u>
<b>Capital Assets Being Depreciated</b>				
Vehicles	451,261			451,261
Buildings	89,007	-	-	89,007
Equipment	207,440	-	-	207,440
<i>Total Capital Assets Being Depreciated</i>	<u>747,708</u>	<u>-</u>	<u>-</u>	<u>747,708</u>
Less Accumulated Depreciation:				
Vehicles	425,678	4,264	-	429,942
Buildings	81,052	994	-	82,046
Equipment	131,974	19,101	-	151,075
<i>Total Accumulated Depreciation</i>	<u>638,704</u>	<u>24,359</u>	<u>-</u>	<u>663,063</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 132,004</u>	<u>\$ (24,359)</u>	<u>\$ -</u>	<u>\$ 107,645</u>

Depreciation expense was charged to governmental functions of the Township as follows:

Governmental Activities	
General Government	\$ 5,348
Public Safety	15,592
Public Works	<u>3,419</u>
<i>Total Governmental Activities</i>	<u>\$ 24,359</u>

#### Note 5 - Interfund Balances & Interfund Transfers

Interfund balances arise from advances to other funds to finance operations or capital outlays. There were no interfund balances as of March 31, 2014.

Transfers are used to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and 2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and 3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## Township of Bear Lake

### Notes to the Financial Statements

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Interfund transfers were as follows for the year ended March 31, 2014:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Roads	\$ 7,701
Fire Operating	General	800
Fire Operating	Fire Equipment	1,927

#### **Note 6 – Defined Contribution Pension Plan**

The Township participates in a defined contribution pension plan administrated by Municipal Retirement Systems, Inc. covering all elected officials and other full-time employees. The Township contributes the premium based on the annual normal compensation. Plan members may make additional voluntary contributions. The Township's contribution for the year ended March 31, 2014 amounted to \$129. Plan members made no voluntary contributions during the year.

#### **Note 7 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, and errors and omissions and employees injuries (workers' compensation). The Township participates in the Michigan Township's Participating Plan for the following policies: general liability, property, vehicle and fire. The Township has insurance with a separate provider for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township's Participating plan operates as an insurance pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

#### **Note 8 - Contingent Liabilities**

The Township, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. The Township's attorney and management estimate that the potential claims against the Township, not covered by insurance resulting from such litigation, would not materially affect the financial statements of the Township.

Management is not aware of any subsequent events as of August 8, 2014 that would have a material effect on the financial condition of the Township.

## Township of Bear Lake

### Notes to the Financial Statements

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#### **Note 9 - Restatement**

Beginning equity was restated (increased) as of April 1, 2013 for the following items:

- The general fund balance and net position of governmental activities increased in the amount of \$16,428 to record state revenue sharing receivable as of March 31, 2013.
- The general fund balance and net position of governmental activities increased in the amount of \$10,061 to record delinquent taxes receivable as of March 31, 2013.
- The fire operating fund balance and net position of governmental activities increased in the amount of \$2,829 to record delinquent taxes receivable as of March 31, 2013.
- The fire equipment fund balance and net position of governmental activities increased in the amount of \$1,414 to record delinquent taxes receivable as of March 31, 2013.
- The general fund balance and net position of governmental activities decreased in the amount of \$3,857 to remove prepaid items that should have been reported under the purchase method as of March 31, 2013.
- The fire operating fund balance and net position of governmental activities decreased in the amount of \$4,086 to remove prepaid items that should have been reported under the purchase method as of March 31, 2013.

The net effect of the above restatements was an increase to governmental fund equity and governmental activities net position in the amount of \$22,789 as of April 1, 2013.



**REQUIRED SUPPLEMENTARY INFORMATION**

TOWNSHIP OF BEAR LAKE, MICHIGAN

**Township of Bear Lake**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended March 31, 2014**

	Budgeted Amounts		Actual	Variance
	Original	Final		(Unfavorable) Final to Actual
<b>Revenues</b>				
Property Tax	\$ 154,000	\$ 154,000	\$ 142,388	\$ (11,612)
Licenses & Permits	1,500	1,500	2,000	500
State Revenue Sharing	107,000	107,000	108,330	1,330
Charges for Services	2,800	2,800	3,250	450
Interest	2,800	2,800	1,816	(984)
Other	700	700	4,409	3,709
<b>Total Revenues</b>	<u>268,800</u>	<u>268,800</u>	<u>262,193</u>	<u>(6,607)</u>
<b>Other Financing Sources</b>				
Transfers In	2,600	2,600	7,701	5,101
<b>Total Revenues and Other Financing Sources</b>	<u>271,400</u>	<u>271,400</u>	<u>269,894</u>	<u>(1,506)</u>
<b>Expenditures</b>				
<b>General Government</b>				
Township Board	16,000	16,000	14,364	1,636
Supervisor	12,000	12,000	12,900	(900)
Treasurer	17,000	20,000	19,181	819
Assessor	25,000	25,000	25,533	(533)
Clerk	17,000	20,000	15,027	4,973
Audit	3,700	4,000	3,500	500
Board of Review	3,000	3,000	2,578	422
Board of Appeals	2,000	2,000	550	1,450
Elections	5,000	5,000	1,331	3,669
Building & Grounds	27,000	27,000	26,711	289
Cemetery	17,000	17,000	17,689	(689)
Other General Government	16,000	16,000	11,174	4,826
<b>Total General Government</b>	<u>160,700</u>	<u>167,000</u>	<u>150,538</u>	<u>16,462</u>
<b>Public Works</b>				
Roads	65,000	65,000	52,701	12,299
Landfill	32,000	32,000	32,635	(635)
<b>Total Public Works</b>	<u>97,000</u>	<u>97,000</u>	<u>85,336</u>	<u>11,664</u>
<b>Community &amp; Economic Development</b>				
Planning & Zoning	4,000	4,000	1,269	2,731
Zoning Admin	9,000	9,000	8,885	115
<b>Total Community &amp; Economic Development</b>	<u>13,000</u>	<u>13,000</u>	<u>10,154</u>	<u>2,846</u>
<b>Recreation &amp; Culture - Library</b>				
<b>Total Expenditures</b>	<u>271,900</u>	<u>278,200</u>	<u>247,228</u>	<u>30,972</u>
<b>Other Financing Uses</b>				
Transfers Out	1,000	1,000	800	200
<b>Total Expenditures and Other Financing Uses</b>	<u>272,900</u>	<u>279,200</u>	<u>248,028</u>	<u>31,172</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>				
	(1,500)	(7,800)	21,866	29,666
<b>Net Change in Fund Balance</b>	<u>(1,500)</u>	<u>(7,800)</u>	<u>21,866</u>	<u>29,666</u>
Fund Balance at Beginning of Period	442,359	442,359	442,359	--
<b>Fund Balance at End of Period</b>	<u>\$ 440,859</u>	<u>\$ 434,559</u>	<u>\$ 464,225</u>	<u>\$ 29,666</u>

**Township of Bear Lake**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Fire Equipment**  
**For the Year Ended March 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Favorable (Unfavorable) Final to Actual</b>
<b>Revenues</b>				
Property Tax	\$ 20,500	\$ 20,500	\$ 17,790	\$ (2,710)
Federal Grants	--	--	13,650	13,650
<b>Total Revenues</b>	<u>20,500</u>	<u>20,500</u>	<u>31,440</u>	<u>10,940</u>
<b>Other Financing Sources</b>				
<i>Total Revenues and Other Financing Sources</i>	<u>20,500</u>	<u>20,500</u>	<u>31,440</u>	<u>10,940</u>
<b>Expenditures</b>				
Public Safety	13,000	13,000	11,722	1,278
<b>Total Expenditures</b>	<u>13,000</u>	<u>13,000</u>	<u>11,722</u>	<u>1,278</u>
<b>Other Financing Uses</b>				
Transfers Out	2,000	2,000	1,927	73
<i>Total Expenditures and Other Financing Uses</i>	<u>15,000</u>	<u>15,000</u>	<u>13,649</u>	<u>1,351</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>5,500</u>	<u>5,500</u>	<u>17,791</u>	<u>12,291</u>
<b>Net Change in Fund Balance</b>	<u>5,500</u>	<u>5,500</u>	<u>17,791</u>	<u>12,291</u>
<i>Fund Balance at Beginning of Period</i>	216,569	216,569	216,569	--
<b>Fund Balance at End of Period</b>	<u>\$ 222,069</u>	<u>\$ 222,069</u>	<u>\$ 234,360</u>	<u>\$ 12,291</u>

**Township of Bear Lake**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Fire Operating**  
**For the Year Ended March 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable) Final to Actual</u>
<b>Revenues</b>				
Property Tax	\$ 40,000	\$ 40,000	\$ 35,590	\$ (4,410)
Charges for Services	17,000	17,000	22,572	5,572
<i><b>Total Revenues</b></i>	<u>57,000</u>	<u>57,000</u>	<u>58,162</u>	<u>1,162</u>
<b>Other Financing Sources</b>				
Transfers In	--	--	2,727	2,727
<i><b>Total Revenues and Other Financing Sources</b></i>	<u>57,000</u>	<u>57,000</u>	<u>60,889</u>	<u>3,889</u>
<b>Expenditures</b>				
Public Safety	53,000	53,000	41,124	11,876
<i><b>Total Expenditures</b></i>	<u>53,000</u>	<u>53,000</u>	<u>41,124</u>	<u>11,876</u>
<b>Other Financing Uses</b>				
<i><b>Total Expenditures and Other Financing Uses</b></i>	<u>53,000</u>	<u>53,000</u>	<u>41,124</u>	<u>11,876</u>
<i><b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b></i>	<u>4,000</u>	<u>4,000</u>	<u>19,765</u>	<u>15,765</u>
<i><b>Net Change in Fund Balance</b></i>	<u><b>4,000</b></u>	<u><b>4,000</b></u>	<u><b>19,765</b></u>	<u><b>15,765</b></u>
<i>Fund Balance at Beginning of Period</i>	101,055	101,055	101,055	--
<i><b>Fund Balance at End of Period</b></i>	<u><b>\$ 105,055</b></u>	<u><b>\$ 105,055</b></u>	<u><b>\$ 120,820</b></u>	<u><b>\$ 15,765</b></u>

**Township of Bear Lake**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Fire Vehicle**  
**For the Year Ended March 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Favorable (Unfavorable) Final to Actual</b>
<b>Revenues</b>				
Property Tax	\$ 57,500	\$ 57,500	\$ 53,303	\$ (4,197)
<i>Total Revenues</i>	<u>57,500</u>	<u>57,500</u>	<u>53,303</u>	<u>(4,197)</u>
<b>Other Financing Sources</b>				
<i>Total Revenues and Other Financing Sources</i>	<u>57,500</u>	<u>57,500</u>	<u>53,303</u>	<u>(4,197)</u>
<b>Expenditures</b>				
<i>Total Expenditures</i>	--	--	--	--
<b>Other Financing Uses</b>				
<i>Total Expenditures and Other Financing Uses</i>	--	--	--	--
<i>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</i>	<u>57,500</u>	<u>57,500</u>	<u>53,303</u>	<u>(4,197)</u>
<i>Net Change in Fund Balance</i>	<u>57,500</u>	<u>57,500</u>	<u>53,303</u>	<u>(4,197)</u>
<i>Fund Balance at Beginning of Period</i>	--	--	--	--
<i>Fund Balance at End of Period</i>	<u>\$ 57,500</u>	<u>\$ 57,500</u>	<u>\$ 53,303</u>	<u>\$ (4,197)</u>

**Township of Bear Lake**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Roads**  
**For the Year Ended March 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable) Final to Actual</u>
<b>Revenues</b>				
Other	\$ 6,000	\$ 6,000	\$ 5,965	\$ (35)
<i>Total Revenues</i>	<u>6,000</u>	<u>6,000</u>	<u>5,965</u>	<u>(35)</u>
<b>Other Financing Sources</b>				
<i>Total Revenues and Other Financing Sources</i>	<u>6,000</u>	<u>6,000</u>	<u>5,965</u>	<u>(35)</u>
<b>Expenditures</b>				
<i>Total Expenditures</i>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Other Financing Uses</b>				
Transfers Out	14,000	14,000	7,701	6,299
<i>Total Expenditures and Other Financing Uses</i>	<u>14,000</u>	<u>14,000</u>	<u>7,701</u>	<u>6,299</u>
<i>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</i>	<u>(8,000)</u>	<u>(8,000)</u>	<u>(1,736)</u>	<u>6,264</u>
<i>Net Change in Fund Balance</i>	<u>(8,000)</u>	<u>(8,000)</u>	<u>(1,736)</u>	<u>6,264</u>
<i>Fund Balance at Beginning of Period</i>	153,326	153,326	153,326	--
<i>Fund Balance at End of Period</i>	<u>\$ 145,326</u>	<u>\$ 145,326</u>	<u>\$ 151,590</u>	<u>\$ 6,264</u>

August 8, 2014

To the Township Board  
Township of Bear Lake, Michigan

We have audited the financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of the Township of Bear Lake for the year ended March 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 8, 2014. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township of Bear Lake 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 fiscal year ended March 31, 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

##### *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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 8, 2014.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

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



Gabridge & Company, PLC  
Interlochen, MI



**INDEPENDENT AUDITOR'S 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**

To the Township Board  
Township of Bear Lake

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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 Township of Bear Lake, Michigan (the "Township"), as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 8, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness.

*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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be a material weakness (2014-1).

## **Compliance and Other Matters**

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

## **The Township's Response to Findings**

The Township's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

Gabridge & Company, PLC  
August 8, 2014

## Township of Bear Lake

### Schedule of Findings and Responses

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#### **Material Weakness 2014-1**

##### **Computer System and General Ledger needs to be improved**

Criteria: General Ledger must be maintained and accessible. Computer system and general ledger programs should be kept current.

Condition: There are still multiple software programs being used to track general ledger accounts. The primary computer is running software that is over 15 years old..

Cause: The general ledger was very difficult to retrieve and was divided among the various systems. The older software did not have an updated current balance sheet.

Effect: As a result of this condition, the organization lacks internal control for proper cash management. The older system does not allow reports to be printed and does not track balance sheet items.

View of  
Responsible  
Officials

The Township treasurer and clerk reviewed the finding and agreed to enhance the computer system and convert to one software package for maintaining the general ledger.