

TOWNSHIP OF BEAR LAKE, MICHIGAN
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the Fiscal Year Ended March 31, 2013

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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, the General Fund and the aggregate remaining fund information of the Township of Bear Lake, Michigan, as of and for the year ended March 31, 2013, 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 and each major fund of the Township of Bear Lake, Michigan, as of March 31, 2013, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Bear Lake, Michigan's basic financial statements. The accompanying other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2013, 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.

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
Interlochen, MI
September 30, 2013

Township of Bear Lake Management's Discussion & Analysis

As management of the Township of Bear Lake, 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, 2013. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- The Township continued to increase their net position, which is mainly attributed to tight financial controls and good financial budgeting.

Overview of the Financial Statements

The Township of Bear Lake's financial statements consist of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the Financial Statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The *government-wide financial statements* are designed to provide a broad overview of the Township's financial position. They are presented using a method of accounting that is similar to a private sector business.

The *Statement of Net Position* presents information on all of the Township's assets and liabilities, the difference between the two being reported as the net position of the Township. Over time, increases or decreases in net position can 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 government'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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave, prepaid expenses, etc.).

Focus on Funds

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. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Township of Bear Lake uses fund accounting to ensure compliance with finance-related legal requirements. There are three basic types of funds: governmental funds, proprietary funds, and fiduciary funds. The Township currently reports governmental and fiduciary funds

Governmental Funds Many of the Township's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions 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. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the government fund balance as expenditures. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. Governmental funds for the Township include the General Fund as well as the special revenue fund.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of the funds are not available for supporting the Township's programs. These funds are accounted for using the full accrual method of accounting much like the proprietary funds. The Township reports one fiduciary fund, the Tax Collections Fund.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report further presents required supplementary information (RSI) that explains the information presented in the financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Township of Bear Lake, assets exceeded liabilities by \$1,022,524 at the close of the most recent fiscal year. The following comparative table illustrates the governmental activities to capture the Township's total net position:

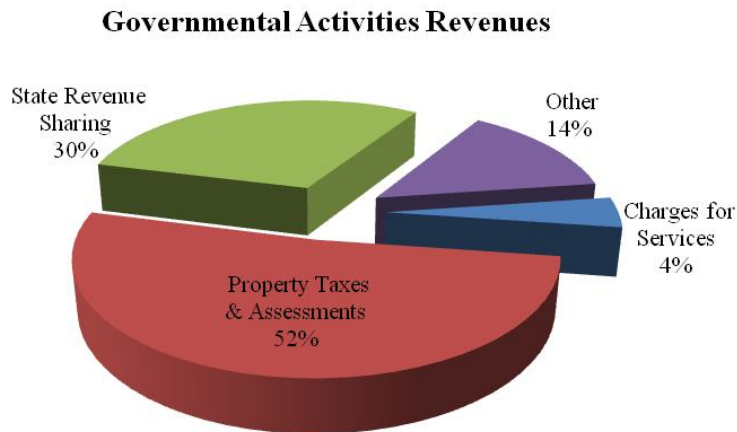
	Governmental Activities	
	2013	2012
ASSETS		
<i>Current Assets</i>		
Cash & Cash Equivalents	\$ 886,535	\$ 815,389
Taxes Receivable		9,763
Prepaid Insurance	7,943	
Total Current Assets	894,478	825,152
<i>Noncurrent Assets</i>		
Capital Assets	132,004	142,319
Total Assets	1,026,482	967,471
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable	3,958	-
Payroll Liabilities	-	-
Total Current Liabilities	3,958	-
<i>Noncurrent Liabilities</i>		
Total Liabilities	3,958	-
NET POSITION		
Net Investment in Capital Assets	132,004	142,319
Restricted	353,312	186,783
Unrestricted	537,208	638,369
Total Net Position	\$ 1,022,524	\$ 967,471

The Township's combined net position increased of 5% from \$967,471 to 1,022,254.

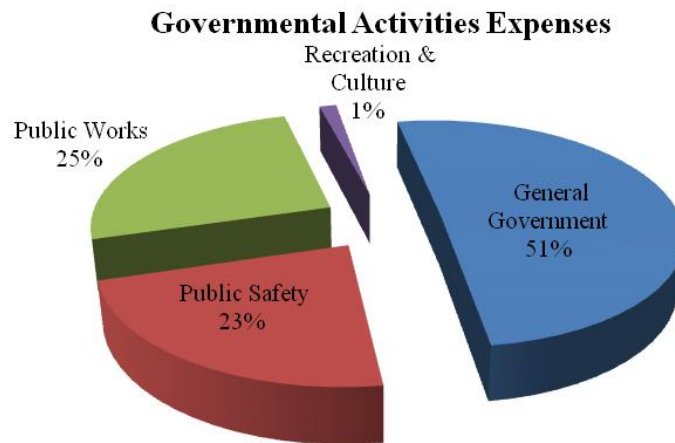
	Governmental Activities	
	2013	2012
Revenues		
Program Revenues		
Charges for Services	\$ 16,000	\$ 31,805
Operating Grants & Contributions	-	-
Total Program Revenues	16,000	31,805
General Revenues		
Property Taxes & Assessments	186,761	195,090
State Revenue Sharing	108,473	125,136
Interest Income	5,157	1,922
Other	44,784	110,868
Total General Revenues	345,175	433,016
Total Revenues	361,175	464,821
Expenses		
General Government	171,262	174,915
Public Safety	76,722	74,257
Public Works	86,344	90,734
Recreation & Culture	4,535	8,158
Community & Economic Development	-	-
Total Expenses	338,863	348,064
Change in Net Position	22,312	116,757
<i>Net Position at Beginning of Period</i>	967,471	850,714
<i>Prior Period Adjustment</i>	32,741	-
Net Position at End of Period	\$ 1,022,524	\$ 967,471

Governmental Activity

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:



The Township's Funds:

Our analysis of the Township's major funds begins in the supplemental data following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax millages. The General Fund pays for most of the Township's governmental services. Bear Lake Township does support a small levy for fire equipment improvements which is accounted for in a separate special revenue fund.

General Fund Budgetary Highlights:

Over the course of the year the Township Board was able to maintain the township departments within their prescribed budgets. There were no material budgetary variances.

Capital Asset and Debt Administration:

Capital Assets

One of the most significant portions of the Township's net position is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt which is outstanding that the Township used to acquire or construct the asset. The Township has \$537,118 in unrestricted net position. These assets represent resources that are available for appropriation but are limited by the Township policies regarding their use.

Debt

The Township acquired no debt during the fiscal year ending March 31, 2013

Economic Factors and Next Year's Budgets and Rates:

Bear Lake Townships 2013-2014 budget calls for an increase in tax revenue of .75 mills, which will be allocated to support the Fire Equipment Fund in purchasing a new fire truck.

General Overview of the Accomplishments of Bear Lake Township in the 2012-2013 Fiscal Year:

The Township finances have been managed very closely during this fiscal year. The Township is in a stable state as a whole.

Contacting the Township's Management:

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact our office at (231) 864-3620.

**Township of Bear Lake
Statement of Net Position
March 31, 2013**

	Primary Governmental Activities
ASSETS	
<i>Current Assets</i>	
Cash	\$ 886,535
Prepaid Insurance	7,943
<i>Internal Balances*</i>	--
Total Current Assets	894,478
<i>Noncurrent Assets</i>	
Capital Assets (Net)	132,004
<i>Internal Balances*</i>	--
Total Assets	1,026,482
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
Total Deferred Outflows of Resources	--
LIABILITIES	
<i>Current Liabilities</i>	
Accounts Payable	3,958
<i>Internal Balances*</i>	--
Total Current Liabilities	3,958
<i>Noncurrent Liabilities</i>	
<i>Internal Balances*</i>	--
Total Liabilities	3,958
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	--
Total Deferred Inflows of Resources	--
NET POSITION	
Inv. in fixed assets net of rel. debt	132,004
<i>Restricted for:</i>	
Cemetery	32,741
Fire	313,381
Cemetery	7,280
<i>Unrestricted</i>	537,118
Total Net Position	\$ 1,022,524

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, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue Primary Governmental Activities</u>
Primary Government					
Governmental Activities:					
General Government	\$ 171,262	\$ --	\$ --	\$ --	\$ (171,262)
Public Safety	76,722	16,000	--	--	(60,722)
Public Works	86,344	--	--	--	(86,344)
Recreation & Culture	4,535	--	--	--	(4,535)
<i>Total Governmental Activities</i>	338,863	16,000	--	--	(322,863)
Business-type Activities:					
No Funds...	--	--	--	--	--
<i>Total Business-type Activities</i>	--	--	--	--	--
<i>Total Primary Government</i>	\$ 338,863	\$ 16,000	\$ --	\$ --	\$ (322,863)

General Purpose Revenues and Transfers:

Revenues

Property Tax	186,761
Licenses and Permits	875
State Revenue Sharing	108,473
Charges for Services	3,400
Interest	5,157
Other	10,003
Federal Revenue	30,506

Transfers

<i>Total General Revenues and Transfers</i>	345,175
<i>Change in Net Position</i>	22,312
<i>Net Position at Beginning of Period</i>	967,471
<i>Prior Period Adjustment</i>	32,741
<i>Net Position at End of Period</i>	\$ 1,022,524

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

**Township of Bear Lake
Balance Sheet
Governmental Funds
March 31, 2013**

	Special Revenue				Total Governmental Funds
	General	Fire	Fire Equipment	Roads	
ASSETS					
Cash	\$ 419,828	\$ 98,226	\$ 215,155	\$ 153,326	\$ 886,535
Prepaid Insurance	3,857	4,086	--	--	7,943
<i>Total Assets</i>	423,685	102,312	215,155	153,326	894,478
DEFERRED OUTFLOWS OF RESOURCES					
Aggregated deferred outflows	--	--	--	--	--
<i>Total Assets and Deferred Outflows of Resources</i>	\$ 423,685	\$ 102,312	\$ 215,155	\$ 153,326	\$ 894,478
LIABILITIES					
Accounts Payable	\$ 3,958	\$ --	\$ --	\$ --	\$ 3,958
<i>Total Liabilities</i>	3,958	--	--	--	3,958
DEFERRED INFLOWS OF RESOURCES					
Aggregated deferred inflows	--	--	--	--	--
<i>Total Liabilities and Deferred Inflows of Resources</i>	3,958	--	--	--	3,958
FUND BALANCE					
Nonspendable	32,741	--	--	--	32,741
Restricted	7,280	98,226	215,155	--	320,661
Assigned	--	--	--	153,326	153,326
Unassigned	379,706	4,086	--	--	383,792
<i>Total Fund Balance</i>	419,727	102,312	215,155	153,326	890,520
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i>	\$ 423,685	\$ 102,312	\$ 215,155	\$ 153,326	\$ 894,478

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, 2013

Total Fund Balance - Governmental Funds	\$	890,520
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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 \$638,704.

	132,004
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Total Net Position-Governmental Funds	\$	<u>1,022,524</u>
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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, 2013

	<u>Special Revenue</u>				<u>Total Governmental Funds</u>
	<u>General</u>	<u>Fire</u>	<u>Fire Equipment</u>	<u>Roads</u>	
Revenues					
Property Tax	\$ 130,517	\$ 37,499	\$ 18,745	\$ --	\$ 186,761
Licenses and Permits	875	--	--	--	875
State Revenue Sharing	108,473	--	--	--	108,473
Federal Revenue	--	--	30,506	--	30,506
Charges for Services	3,400	16,000	--	--	19,400
Interest	4,675	--	363	119	5,157
Other	4,039	--	--	5,964	10,003
Total Revenues	<u>251,979</u>	<u>53,499</u>	<u>49,614</u>	<u>6,083</u>	<u>361,175</u>
Expenditures					
General Government	160,947	--	--	--	160,947
Public Safety	--	46,216	30,506	--	76,722
Public Works	86,344	--	--	--	86,344
Recreation & Culture	4,535	--	--	--	4,535
Total Expenditures	<u>251,826</u>	<u>46,216</u>	<u>30,506</u>	<u>--</u>	<u>328,548</u>
Excess of Revenues Over (Under) Expenditures	<u>153</u>	<u>7,283</u>	<u>19,108</u>	<u>6,083</u>	<u>32,627</u>
Other Financing Sources (Uses)					
Transfers from other funds	--	7,167	30,506	9,207	46,880
Transfers to other funds	(46,880)	--	--	--	(46,880)
Net Other Financing Sources (Uses)	<u>(46,880)</u>	<u>7,167</u>	<u>30,506</u>	<u>9,207</u>	<u>--</u>
Net Change in Fund Balance	(46,727)	14,450	49,614	15,290	32,627
<i>Fund Balance at Beginning of Period</i>	433,713	87,862	165,541	138,036	825,152
<i>Prior Period Adjustment</i>	32,741	--	--	--	32,741
Fund Balance at End of Period	<u>\$ 419,727</u>	<u>\$ 102,312</u>	<u>\$ 215,155</u>	<u>\$ 153,326</u>	<u>\$ 890,520</u>

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, 2013

Total Net Change in Fund Balances - Governmental Funds	\$	32,627
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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 \$23,280 less current year additions of \$12,965.

		(10,315)
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Changes in Net Position-Governmental Funds	\$	<u>22,312</u>
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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, 2013

	Agency
	Tax Collections
ASSETS	
Cash	\$ 17,457
<i>Total Assets</i>	17,457
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
<i>Total Deferred Outflows of Resources</i>	--
LIABILITIES	
Current due to other funds	17,457
<i>Total Liabilities</i>	17,457
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	--
<i>Total Deferred Inflows of Resources</i>	--
NET POSITION	
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

1. Summary of Significant Accounting Policies

The accounting policies of the Township conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

A. 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 1,587 residents and include fire protection and general community enrichment services. The criteria established for determining the various agencies and boards to be included in the Township's general purpose financial statements depends on the extent such agencies and boards are a part of, controlled by or dependent on the Township. The criterion used to determine the reporting entity, "is the ability to exercise oversight responsibility over such agencies by the governmental unit's elected officials."

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The method of reporting financial data of component units in a column separate from the financial data of the primary government is referred to as discrete presentation.

The component unit should be included in the reporting entity financial statements using the blending method in either of the following circumstances: a) The component unit's governing body has a majority of its constituents from the primary unit and b) the component unit provides services entirely, or almost entirely to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it. The activities have been measured by the standards listed above with the following units being reported as component units with condensed financial statements for those which are discreetly presented.

B. Summary of Significant Accounting Policies

Basis of Presentation

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Basis of Accounting

Basis of Accounting refers to how revenue and expenditures or expenses are recognized in the account and reported in the financial statements. The basis of accounting, as required under generally accepted accounting principles, varies for each fund.

General, special revenue, debt service, capital projects and trust and agency funds should be accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized in the accounting period in which it becomes available and measurable. Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable.

Enterprise funds should be accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized in the accounting period in which it is earned and becomes measurable. Expenses are recognized in the accounting period incurred, if measurable.

The accounting policies of Bear Lake Township conform to generally accepted accounting principles and include the following fund types

1. Government Fund Types use modified accrual basis and include -

The *general funds* account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state revenue sharing, grants and other intergovernmental revenues.

The *special revenue funds* account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of funding.

The *capital projects funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

2. Fiduciary Fund Types include -

The *Trust and Agency Fund* is unbudgeted and accounts for activities within those areas wherein the Township is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Township.

3. GASB 34

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or 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 revenue.

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

Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, as amended*, the Township has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements

C. Budgets and Budgetary Accounting

The general fund and enterprise fund types are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis the same as the modified accrual basis used to reflect operations and include those amounts formally appropriated by the Township Board.

D. 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.

2. Excess of Expenditures over Appropriations

The local unit shall not incur expenditures in excess of appropriations. This also requires a disclosure of all such functional areas which exceeded budget. As such, a budgeted statement is included in the supplementary data portion of these financial statements.

3. Financial Control of Funds

As authorized by Act 20, Public Act of 1943, as amended, states that the Township, by resolution may authorize its treasurer to invest surplus funds in the following manner:

1. Direct obligations of the United States or an agency or instrumentality of the United States.
2. In any account or depository which is a member of the F.D.I.C. or a savings and loan which is a member of the Federal Savings and Loan Insurance Corporation, or a credit union which is insured by the National Credit Union Administration.
3. Fifty percent of the funds may be invested in commercial paper rated at the time of purchase within the three highest classifications by not less than two standard rating agencies and which mature not more that 270 days following the date of purchase.
4. In United States Government of federal agency obligations repurchase agreements.
5. In bankers acceptances of the United States banks.
6. In mutual funds composed of investment vehicles which are legal for direct investment of local units of government in Michigan.

4. Cash and Investments

Deposits of the Township are as authorized by the Township Board. A summary of these accounts and amounts is included in the supplemental data section of this report. All funds of Bear Lake Township have been invested in those depositories or investments as authorized by Michigan Compiled Laws Section 129.91. The balance sheet account for all funds includes all cash, investments and imprest (petty cash) funds.

In accordance with GASB Statement No. 3, risk disclosures must be made to indicate the amounts of cash insured or uninsured. A general summary of these assets is as follows:

	Governmental Activities
Cash and Investments	\$ 886,535
Restricted Cash	17,457
Total Book Balance	<u>\$ 886,535</u>

Amount Insured by the FDIC	\$ 903,992
Amount Collateralized with the Financial Institution	-
Amount Uncollateralized & Uninsured	-
Total Bank Balance	<u>\$ 903,992</u>

5. Pension Plan

The Township participates in a defined contribution pension plan administered 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, 2013 amounted to \$92.

6. Changes in General Fixed Assets

General Fixed Assets have been acquired for general township purposes and at the time of purchase were recorded as expenditures. The following table summarizes depreciation methods used by the township:

<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

Detailed information concerning these accounts is as follows:

<u>Governmental Activities</u>	Balance at March 31, 2012	Additions	Disposals	Balance at March 31, 2013
Capital Assets not Being Depreciated				
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>
Capital Assets Being Depreciated				
Vehicles	451,261			451,261
Buildings	89,007	-	-	89,007
Equipment	194,475	12,965	-	207,440
<i>Total Capital Assets Being Depreciated</i>	<u>734,743</u>	<u>12,965</u>	<u>-</u>	<u>747,708</u>
Less Accumulated Depreciation:				
Vehicles	421,414	4,264	-	425,678
Buildings	80,057	995	-	81,052
Equipment	113,953	18,021	-	131,974
<i>Total Accumulated Depreciation</i>	<u>615,424</u>	<u>23,280</u>	<u>-</u>	<u>638,704</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 142,319</u>	<u>\$ (10,315)</u>	<u>\$ -</u>	<u>\$ 132,004</u>

7. Compensated Absences and Post Employment Benefits

The Township does not pay for compensated absences.

8. Contingent Liabilities

There are no known contingent liabilities.

9. Risk Management

The Township carries commercial insurance as a protection against risk.

10. Taxes Receivable

The taxes receivable reflected in the general fund represents no delinquent real property taxes. Manistee County funds the delinquent tax roll by selling tax notes annually and distributing the proceeds to the governmental units currently. Accordingly, these delinquent taxes and related fees are recorded as revenue in the current year.

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) Final to
Revenues				
Property Tax	\$ --	\$ --	\$ 130,517	\$ 130,517
Licenses and Permits	--	--	875	875
State Revenue Sharing	--	--	108,473	108,473
Charges for Services	--	--	3,400	3,400
Interest	--	--	2,612	2,612
Other	--	--	800	800
Total Revenues	<u>--</u>	<u>--</u>	<u>246,677</u>	<u>246,677</u>
Other Financing Sources				
Transfers from other funds	--	--	2,939	2,939
Total Revenues and Other Financing Sources	<u>--</u>	<u>--</u>	<u>249,616</u>	<u>249,616</u>
Expenditures				
Township Board	16,000	16,000	9,969	6,031
Supervisor	12,000	12,000	11,766	234
Election	5,000	5,000	4,875	125
Assessor	30,000	31,604	28,241	3,363
Clerk	17,000	17,000	14,624	2,376
Treasurer	17,000	17,000	16,842	158
Township Hall	31,500	31,500	31,181	319
Cemetery	20,000	20,244	17,047	3,197
Other General Government	40,152	36,538	17,809	18,729
Planning & Zoning	10,000	11,049	8,593	2,456
Roads	60,000	60,000	50,793	9,207
Landfill	32,000	32,717	35,551	(2,834)
Library	2,400	2,400	2,172	228
Total Expenditures	<u>293,052</u>	<u>293,052</u>	<u>249,463</u>	<u>43,589</u>
Other Financing Uses				
Transfers to other funds	52,000	52,000	46,880	5,120
Total Expenditures and Other Financing Uses	<u>345,052</u>	<u>345,052</u>	<u>296,343</u>	<u>48,709</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(345,052)</u>	<u>(345,052)</u>	<u>(46,727)</u>	<u>298,325</u>
Net Change in Fund Balance	<u>(345,052)</u>	<u>(345,052)</u>	<u>(46,727)</u>	<u>298,325</u>
<i>Fund Balance at Beginning of Period</i>	466,454	466,454	466,454	--
Fund Balance at End of Period	<u>\$ 121,402</u>	<u>\$ 121,402</u>	<u>\$ 419,727</u>	<u>\$ 298,325</u>

September 30, 2013

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, 2013. 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 June 11, 2013. 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, 2013. 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 September 25, 2013.

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

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*

September 30, 2013

To the Village Council
Township of Bear Lake, Michigan

We have audited the financial statements of the governmental activities, the General Fund, 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, 2013, which collectively comprise the Township of Bear Lake, Michigan's basic financial statements and have issued our report thereon dated September 30, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Bear Lake, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Township of Bear Lake, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Bear Lake, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be a significant deficiency – 2013-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Bear Lake, Michigan's financial statements are free of 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 of Bear Lake, Michigan's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Township of Bear Lake, Michigan's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Village Council, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Best regards,

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 company.

Gabridge & Company, PLC

Township of Bear Lake

Significant Deficiency 2013-1

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: Four different software programs are being used to track general ledger accounts. The primary computer was over 12 years old running equally old software crashed and all data was lost.

Cause: The general ledger was very difficult to retrieve and was divided among the various systems.

Effect: As a result of this condition, the organization lacks internal control for proper cash management and to mitigate the chance of duplications when transferring balances from one program to the next. The older system does not allow reports to be printed and does not track balance sheet items.

View of
Responsible
Officials

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