

**VILLAGE OF BEAR LAKE, MICHIGAN**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED FEBRUARY 28, 2014**

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## INDEPENDENT AUDITOR'S REPORT

To the Village Council  
Village of Bear Lake

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Bear Lake, Michigan, as of and for the year ended February 28, 2014, and the related notes to the financial statements, which collectively comprise the Village'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, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Bear Lake, Michigan, as of February 28, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are 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 19, 2014, on our consideration of the Village 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 Village of Bear Lake, Michigan's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC  
Grand Rapids, MI  
September 19, 2014

## Management's Discussion and Analysis

As management of the Village of Bear Lake, Michigan (The "Village" or "government") we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements.

### Financial Highlights

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$1,349,496 (net position). Of this amount, \$178,441 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 Village's general fund reported fund balance of \$42,587, a decrease of \$70,762 in comparison with the prior year. Approximately 97% of this amount (\$41,119) 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 \$41,119, or approximately 27% 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 Village's basic financial statements. The Village's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) 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 Village's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the Village'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 Village is improving or deteriorating.

The *statement of activities* presents information showing how the Village'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., accrued interest and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Village 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 Village include general government, public safety, streets, and community and economic development. The business-type activities of the Village include water services as well as recreational and cultural 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 Village, 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 Village can be divided into two categories: governmental and proprietary 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 Village 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 and major streets fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The Village adopts an annual appropriated budget for the general fund and each of its special revenue funds. Budgetary comparison schedules for the general fund and the major special revenue fund (the major streets fund) have been provided to demonstrate compliance with these budgets.

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

**Proprietary Funds.** The Village maintains one proprietary fund which is an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Village uses enterprises funds to account for its water operations and its park fund, both of which are considered to be major funds.

The basic proprietary fund financial statements can be found on pages 19 - 21 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 22 - 32 of this report.

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

Required supplementary information can be found on page 33 - 34 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Combining and individual fund statements and schedules can be found on pages 35 - 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 Village, assets exceeded liabilities by \$1,349,496, at the close of the most recent fiscal year.

### Village of Bear Lake Net Position as of February 28, 2014 and February 28, 2013

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
<b>ASSETS</b>						
<i>Current Assets</i>						
Cash & Cash Equivalents	\$ 146,723	\$ 192,421	\$ 107,124	\$ 86,953	\$ 253,847	\$ 279,374
Due from State	8,337	8,254	-	-	8,337	8,254
Taxes Receivable	-	7,993	-	-	-	7,993
Prepaid Insurance	1,468	4,935	-	-	1,468	4,935
<b>Total Current Assets</b>	<b>156,528</b>	<b>213,603</b>	<b>107,124</b>	<b>86,953</b>	<b>263,652</b>	<b>300,556</b>
<i>Noncurrent Assets</i>						
Capital Assets - Net	145,541	126,506	1,024,741	1,060,455	1,170,282	1,186,961
<b>Total Assets</b>	<b>302,069</b>	<b>340,109</b>	<b>1,131,865</b>	<b>1,147,408</b>	<b>1,433,934</b>	<b>1,487,517</b>
<b>LIABILITIES</b>						
<i>Current Liabilities</i>						
Accounts Payable	4,484	993	-	8,512	4,484	9,505
Payroll Liabilities	4,551	5,196	-	-	4,551	5,196
Current Portion of LT Debt	-	-	10,000	10,000	10,000	10,000
Unearned Revenue	-	-	3,950	10,573	3,950	10,573
Interest Payable	-	-	1,453	1,168	1,453	1,168
<b>Total Current Liabilities</b>	<b>9,035</b>	<b>6,189</b>	<b>15,403</b>	<b>30,253</b>	<b>24,438</b>	<b>36,442</b>
<i>Noncurrent Liabilities</i>						
Internal Balances	(2,202)	(2,202)	2,202	2,202	-	-
Long-term Debt	-	-	60,000	70,000	60,000	70,000
<b>Total Liabilities</b>	<b>6,833</b>	<b>3,987</b>	<b>77,605</b>	<b>102,455</b>	<b>84,438</b>	<b>106,442</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	145,541	126,506	954,741	980,455	1,100,282	1,106,961
Restricted	70,773	59,998	-	-	70,773	59,998
Unrestricted	78,922	149,618	99,519	64,498	178,441	214,116
<b>Total Net Position</b>	<b>\$ 295,236</b>	<b>\$ 336,122</b>	<b>\$ 1,054,260</b>	<b>\$ 1,044,953</b>	<b>\$ 1,349,496</b>	<b>\$ 1,381,075</b>

A large portion of the Village's net position (\$1,100,282, or 82%) 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 Village uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Village'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 Village's net position (\$70,773, or 5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$178,441, or

13%, is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

The overall assets and liabilities reflected no significant changes for the fiscal year ended February 28, 2014 compared to the fiscal year ended February 28, 2013, other than overall net position decreased, which caused a corresponding decrease in cash.

At the end of the current fiscal year, the Village 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 and business-type activities. The same situation held true for the prior fiscal year.

The Village's overall net position decreased \$31,579 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

**Governmental Activities.** During the current fiscal year, net position for governmental activities decreased \$40,886 from the prior fiscal year for an ending balance of \$295,236. The decrease in the overall net position of governmental activities in comparison with the previous year is the result of increased governmental spending. This expense is reflected in the general government function. Accordingly, general government expenses increased from \$55,291 during the year ended February 28, 2013 to \$112,622 during the year ended February 28, 2014.

**Business-type Activities.** For the Village's business-type activities, the results for the current fiscal year were an increase in overall net position of \$9,307 resulting in an ending balance of \$1,054,260.

**Village of Bear Lake**  
**Change in Net Position for Fiscal Year Ended February 28, 2014 and February 28, 2013**

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 2,841	\$ 4,663	\$ 84,756	\$ 94,331	\$ 87,597	\$ 98,994
Operating Grants & Contributions	25,801	25,258	-	-	25,801	25,258
<b>Total Program Revenues</b>	<u>28,642</u>	<u>29,921</u>	<u>84,756</u>	<u>94,331</u>	<u>113,398</u>	<u>124,252</u>
<b>General Revenues</b>						
Property Taxes & Assessments	55,545	70,630	-	-	55,545	70,630
State Revenue Sharing	21,260	22,057	-	-	21,260	22,057
Interest Income	243	713	222	18	465	731
Other	3,107	1,563	2,026	-	5,133	1,563
<b>Total General Revenues</b>	<u>80,155</u>	<u>94,963</u>	<u>2,248</u>	<u>18</u>	<u>82,403</u>	<u>93,418</u>
<b>Total Revenues</b>	<u>108,797</u>	<u>124,884</u>	<u>87,004</u>	<u>94,349</u>	<u>195,801</u>	<u>219,233</u>
<b>Expenses</b>						
Legislative	8,785	-	-	-	8,785	-
General Government	112,622	55,291	-	-	112,622	55,291
Public Works	28,276	48,128	77,697	132,904	105,973	181,032
<b>Total Expenses</b>	<u>149,683</u>	<u>103,419</u>	<u>77,697</u>	<u>-</u>	<u>227,380</u>	<u>236,323</u>
Increase/(Decrease) in						
Net Position	(40,886)	21,465	9,307	94,349	(31,579)	115,814
Beginning Net Position	336,122	314,657	1,044,953	1,349,496	1,381,075	1,664,153
<b>Ending Net Position</b>	<u>\$ 295,236</u>	<u>\$ 336,122</u>	<u>\$ 1,054,260</u>	<u>\$ 1,044,953</u>	<u>\$ 1,349,496</u>	<u>\$ 1,779,967</u>

### Financial Analysis of Governmental Funds

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

**Governmental Funds.** The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village'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 Village itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Village's Council.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned fund balance of the general fund was \$41,119, while total fund balance decreased to \$42,587. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 27 percent of total general fund expenditures, while total fund balance represents approximately 28 percent of that same amount.

The fund balance of the Village’s general fund decreased by \$70,762 during the current fiscal year. The main reason for the large decrease in fund balance was due to increased spending in governmental activities.

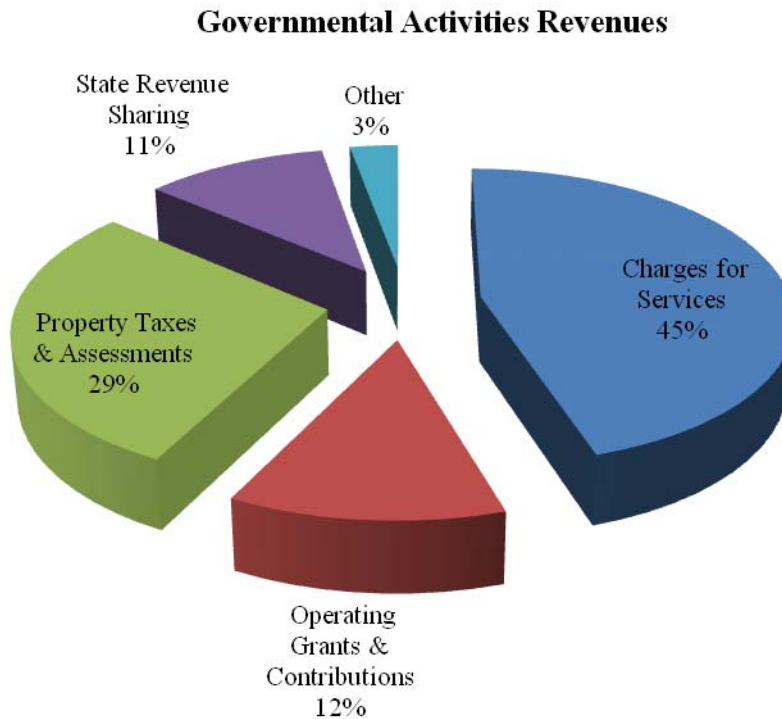
The major streets fund, a major fund, had a \$2,347 increase in fund balance during the current fiscal year which put the overall fund balance at \$46,321. This increase in fund balance is due to the originally budgeted repair and maintenance expenditures coming in \$11,173 under budget, creating an increase in fund balance whereas the original budget showed a budgeted decrease of \$9,664 in the major streets fund balance for the year.

**Proprietary Funds.** The Village’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

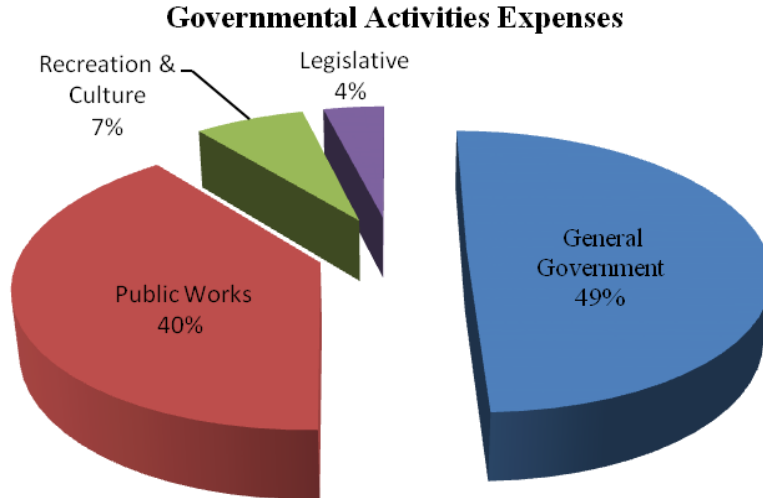
Unrestricted net position of the proprietary funds at the end of the year was \$99,519. The increase in net position was \$9,307.

### **Governmental Activities**

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



The following chart summarizes the expenses for the governmental activities of the Village 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 either the original estimated revenues or original budgeted appropriations.

*Final budget compared to actual results.* During the current fiscal year the Village had the following significant budget variances between the final budget compared to actual results:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General</b>			
Building & Grounds	\$ 86,900	\$ 108,000	\$ (21,100)
Trees	9,000	11,820	(2,820)

### Capital Assets and Debt Administration

#### *Capital Assets*

The Village's investment in capital assets for its governmental and business-type activities as of February 28, 2014 amounted to \$1,170,282 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, and water infrastructure. The total decrease in capital assets for the current fiscal year was approximately 2%.

**Village of Bear Lake**  
**Capital Assets as of February 28, 2014**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Land	\$ 122,571	\$ -	\$ 122,571
Land & Improvements	20,750	406,389	427,139
Machinery & Equipment	72,393	6,457	78,850
Water System	-	862,223	862,223
Vehicles	54,417	-	54,417
Subtotal	<u>270,131</u>	<u>1,275,069</u>	<u>1,545,200</u>
Accumulated Depreciation	<u>124,590</u>	<u>250,328</u>	<u>374,918</u>
Net Capital Assets	<u>\$ 145,541</u>	<u>\$ 1,024,741</u>	<u>\$ 1,170,282</u>

***Long-term Debt***

The Village received bond proceeds to finance the water system project in the amount of \$100,000 during 2010. The total balance of the long-term debt is \$70,000 as of year end, which is \$10,000 less than the previous fiscal year. Total changes in debt, as well as future annual principal and interest requirements, can be found in note 8 of the footnotes.

**Economic Condition and Outlook**

Management estimates roughly \$115,520 of revenues to be available for appropriation in the general fund in the upcoming fiscal year. Expenditures are expected to change by small amounts compared to 2014. The Village 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 2014, the Village plans again to use current revenues to provide essential services and to maintain the Village's financial reserves at similar levels. The ongoing costs of providing essential services for the citizens of the Village will again need to be monitored in order to maintain the financial condition of the Village.

**Contacting the Village**

This financial report is designed to provide a general overview of the Village's finances to its citizens, customers, investors, and creditors and to demonstrate the Village'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:

Village of Bear Lake  
 PO Box 175  
 Bear Lake, MI 49614

## **BASIC FINANCIAL STATEMENTS**

**Village of Bear Lake  
Statement of Net Position  
February 28, 2014**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash	\$ 146,723	\$ 107,124	\$ 253,847
Due from State	8,337	--	8,337
Prepaid Insurance	1,468	--	1,468
<b>Total Current Assets</b>	<b>156,528</b>	<b>107,124</b>	<b>263,652</b>
<i>Noncurrent Assets</i>			
Capital Assets not being Depreciated	122,571	--	122,571
Capital Assets being Depreciated	22,970	1,024,741	1,047,711
<b>Total Assets</b>	<b>302,069</b>	<b>1,131,865</b>	<b>1,433,934</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	4,484	--	4,484
Payroll Liabilities	4,551	--	4,551
Unearned Revenue	--	3,950	3,950
Current Portion of Long-term Debt	--	10,000	10,000
Interest Payable	--	1,453	1,453
Internal Balances	(2,202)	2,202	--
<b>Total Current Liabilities</b>	<b>6,833</b>	<b>17,605</b>	<b>24,438</b>
<i>Noncurrent Liabilities</i>			
Long-term Debt	--	60,000	60,000
<b>Total Liabilities</b>	<b>6,833</b>	<b>77,605</b>	<b>84,438</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	145,541	954,741	1,100,282
<i>Restricted for:</i>			
Major & Local Streets	70,773	--	70,773
<i>Unrestricted</i>	78,922	99,519	178,441
<b>Total Net Position</b>	<b>\$ 295,236</b>	<b>\$ 1,054,260</b>	<b>\$ 1,349,496</b>

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



**Village of Bear Lake  
Statement of Activities  
For the Year Ended February 28, 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>Governmental Activities</u>	<u>Primary Government</u>	
					<u>Business-type Activities</u>	
<b>Primary Government</b>						
<b>Governmental Activities:</b>						
Legislative	8,785	--	--	(8,785)	--	(8,785)
General Government	\$ 112,622	\$ 2,145	\$ --	\$ (110,477)	\$ --	\$ (110,477)
Public Works	28,276	696	25,801	(1,779)	--	(1,779)
<i>Total Governmental Activities</i>	<u>149,683</u>	<u>2,841</u>	<u>25,801</u>	<u>(121,041)</u>	<u>--</u>	<u>(121,041)</u>
<b>Business-type Activities:</b>						
Park Fund	15,906	29,793	--	--	13,887	13,887
Water Fund	61,791	54,963	--	--	(6,828)	(6,828)
<i>Total Business-type Activities</i>	<u>77,697</u>	<u>84,756</u>	<u>--</u>	<u>--</u>	<u>7,059</u>	<u>7,059</u>
<i>Total Primary Government</i>	<u>\$ 227,380</u>	<u>\$ 87,597</u>	<u>\$ 25,801</u>	<u>\$ (121,041)</u>	<u>\$ 7,059</u>	<u>\$ (113,982)</u>
<b>General Purpose Revenues and Revenues</b>						
				55,545	--	55,545
				21,260	--	21,260
				1,532	222	1,754
				1,818	2,026	3,844
				--	--	--
				<u>80,155</u>	<u>2,248</u>	<u>82,403</u>
				<b>(40,886)</b>	<b>9,307</b>	<b>(31,579)</b>
				336,122	1,044,953	1,381,075
				<u>\$ 295,236</u>	<u>\$ 1,054,260</u>	<u>\$ 1,349,496</u>

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

**Village of Bear Lake  
Balance Sheet  
Governmental Funds  
February 28, 2014**

	<u>General</u>	<u>Special Revenue Major Streets</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 37,181	\$ 48,964	\$ 60,578	\$ 146,723
Due from State	3,581	3,265	1,491	8,337
Prepaid Insurance	1,468	--	--	1,468
Due from Other Funds	9,392	--	--	9,392
<b>Total Assets</b>	<b>\$ 51,622</b>	<b>\$ 52,229</b>	<b>\$ 62,069</b>	<b>\$ 165,920</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 4,484	\$ --	\$ --	\$ 4,484
Payroll Liabilities	4,551	--	--	4,551
Due to Other Funds	--	4,741	2,449	7,190
<b>Total Liabilities</b>	<b>9,035</b>	<b>4,741</b>	<b>2,449</b>	<b>16,225</b>
<b>FUND BALANCE</b>				
Nonspendable	1,468	--	--	1,468
Restricted	--	47,488	23,285	70,773
Assigned	--	--	36,335	36,335
Unassigned	41,119	--	--	41,119
<b>Total Fund Balance</b>	<b>42,587</b>	<b>47,488</b>	<b>59,620</b>	<b>149,695</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 51,622</b>	<b>\$ 52,229</b>	<b>\$ 62,069</b>	<b>\$ 165,920</b>

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

**Village of Bear Lake**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**February 28, 2014**

Total Fund Balance - Governmental Funds	\$	149,695
General government capital assets of \$270,131, net of accumulated depreciation of \$124,590, are not financial resources and accordingly, are not reported in the funds.		145,541
<b>Total Net Position - Governmental Funds</b>	<b>\$</b>	<b><u>295,236</u></b>

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

**Village of Bear Lake**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended February 28, 2014**

	<u>General</u>	<u>Special Revenue</u> Major Streets	<u>Other</u> Governmental Funds	<u>Total</u> Governmental Funds
<b>Revenues</b>				
Taxes & Penalties	\$ 55,545	\$ --	\$ --	\$ 55,545
State Revenue Sharing	21,260	17,721	8,080	47,061
Charges for Services	696	--	--	696
Rents & Royalties	2,145	--	--	2,145
Other Revenues	1,813	--	5	1,818
Interest Income	31	1,320	181	1,532
<b>Total Revenues</b>	<u>81,490</u>	<u>19,041</u>	<u>8,266</u>	<u>108,797</u>
<b>Expenditures</b>				
Legislative	8,785	--	--	8,785
General Government	110,807	--	100	110,907
Public Works	11,910	15,527	839	28,276
Capital Outlay	20,750	--	--	20,750
<b>Total Expenditures</b>	<u>152,252</u>	<u>15,527</u>	<u>939</u>	<u>168,718</u>
<b>Excess of Revenues Over</b> <b>(Under) Expenditures</b>	<u>(70,762)</u>	<u>3,514</u>	<u>7,327</u>	<u>(59,921)</u>
<b>Net Change in Fund Balance</b>	<u>(70,762)</u>	<u>3,514</u>	<u>7,327</u>	<u>(59,921)</u>
<i>Fund Balance at Beginning of Period</i>	113,349	43,974	52,293	209,616
<b>Fund Balance at End of Period</b>	<u>\$ 42,587</u>	<u>\$ 47,488</u>	<u>\$ 59,620</u>	<u>\$ 149,695</u>

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

**Village of Bear Lake**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended February 28, 2014**

Total Net Change in Fund Balances - Governmental Funds	\$	(59,921)
--	----	----------

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This amount represents current capital outlay of \$20,750 less current depreciation expense of \$1,715.

		19,035
--	--	--------

<b>Changes in Net Position - Governmental Funds</b>	<b>\$</b>	<b><u>(40,886)</u></b>
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**Village of Bear Lake  
Statement of Net Position  
Proprietary Funds  
February 28, 2014**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Park Fund</b>	<b>Water Fund</b>	<b>Total Enterprise Funds</b>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash	\$ 63,211	\$ 43,913	\$ 107,124
Due from Other Funds	--	8,475	8,475
<b>Total Current Assets</b>	<b>63,211</b>	<b>52,388</b>	<b>115,599</b>
<i>Noncurrent Assets</i>			
Capital Assets being Depreciated	8,581	1,016,160	1,024,741
<b>Total Assets</b>	<b>71,792</b>	<b>1,068,548</b>	<b>1,140,340</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Unearned Revenue	3,950	--	3,950
Current Portion of Long-term Debt	--	10,000	10,000
Interest Payable	--	1,453	1,453
Due to Other Funds	10,677	--	10,677
<b>Total Current Liabilities</b>	<b>14,627</b>	<b>11,453</b>	<b>26,080</b>
<i>Noncurrent Liabilities</i>			
Long-term Debt	--	60,000	60,000
<b>Total Liabilities</b>	<b>14,627</b>	<b>71,453</b>	<b>86,080</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	8,581	946,160	954,741
<i>Unrestricted</i>	48,584	50,935	99,519
<b>Total Net Position</b>	<b>\$ 57,165</b>	<b>\$ 997,095</b>	<b>\$ 1,054,260</b>

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

**Village of Bear Lake**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended February 28, 2014**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Park Fund</b>	<b>Water Fund</b>	<b>Total Enterprise Funds</b>
<b>Operating Revenues</b>			
Charges for Services	\$ 29,793	\$ 51,974	\$ 81,767
Other Revenues	2,026	2,989	5,015
<b><i>Total Operating Revenues</i></b>	<b>31,819</b>	<b>54,963</b>	<b>86,782</b>
<b>Operating Expenses</b>			
Wages & Fringes	3,775	700	4,475
Operating Expenses	10,905	23,205	34,110
Depreciation	1,226	34,488	35,714
<b><i>Total Operating Expenses</i></b>	<b>15,906</b>	<b>58,393</b>	<b>74,299</b>
<b><i>Operating Income (Loss)</i></b>	<b>15,913</b>	<b>(3,430)</b>	<b>12,483</b>
<b>Non-Operating Revenues (Expenses)</b>			
Interest Income	214	8	222
Interest Expense	--	(3,398)	(3,398)
<b><i>Net Non-Operating Revenues (Expenses)</i></b>	<b>214</b>	<b>(3,390)</b>	<b>(3,176)</b>
<b><i>Change In Net Position</i></b>	<b>16,127</b>	<b>(6,820)</b>	<b>9,307</b>
<i>Net Position at Beginning of Period</i>	41,038	1,003,915	1,044,953
<b><i>Net Position at End of Period</i></b>	<b>\$ 57,165</b>	<b>\$ 997,095</b>	<b>\$ 1,054,260</b>

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

**Village of Bear Lake  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended February 28, 2014**

	<b>Business-type Activities Enterprise Funds</b>		<b>Total Enterprise Funds</b>
	<b>Park Fund</b>	<b>Water Fund</b>	
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$ 25,123	\$ 46,809	\$ 71,932
Cash Payments to Suppliers for Goods and Services	(14,680)	(23,905)	(38,585)
<b>Total Cash Flows from Operating Activities</b>	<u>10,443</u>	<u>22,904</u>	<u>33,347</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Interest Paid	-	(3,398)	(3,398)
Principal Payments on Bonds	-	(10,000)	(10,000)
<b>Total Cash Flows from Capital and Related Financing Activities</b>	<u>-</u>	<u>(13,398)</u>	<u>(13,398)</u>
<b>Cash Flows from Investing Activities</b>			
Interest on Investments	214	8	222
<b>Total Cash Flows from Investing Activities</b>	<u>214</u>	<u>8</u>	<u>222</u>
Net Increase (Decrease) in Cash and Equivalents	10,657	9,514	20,171
<i>Cash and Equivalents - Beginning of Year</i>	52,554	34,399	86,953
<b>Cash and Equivalents - End of Year</b>	<u>\$ 63,211</u>	<u>\$ 43,913</u>	<u>\$ 107,124</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
<b>Operating Income</b>	\$ 15,913	\$ (3,430)	\$ 12,483
Adjustments to Reconcile Operating Income to Net Cash <b>Provided (Used) by Operating Activities</b>			
Depreciation	1,226	34,488	35,714
<b>Changes in Assets &amp; Liabilities</b>			
Accounts Payable	(72)	(8,154)	(8,226)
Unearned Revenue	(6,624)	-	(6,624)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 10,443</u>	<u>\$ 22,904</u>	<u>\$ 33,347</u>

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



## **NOTES TO THE FINANCIAL STATEMENTS**

# Village of Bear Lake

## Notes to the Financial Statements

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### Note 1 – Summary of Significant Accounting Policies

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

#### Reporting Entity

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 Village. 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, 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.

## Village 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 proprietary fund and 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.

Property taxes, sales taxes, franchise taxes, licenses, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village 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 ***major streets fund*** accounts for the financial resources used for the operational costs of the village's major streets. Revenues are primarily derived from state revenue sharing.

The Village reports the following major proprietary fund:

The ***water fund*** accounts for the activities of the Village's water system.

The ***park fund*** accounts for the activities to operate the Village's campground.

## Village of Bear Lake

### Notes to the Financial Statements

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Additionally, the government reports the following fund types:

*Special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses are not meeting this definition are reported as nonoperating revenues and expenses.

#### ***Budgetary and Budgetary 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 Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Supervisor submits to the Village Council a proposed operating budget for the fiscal year commencing the following March 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 Village are governed by Public Act 621, which was followed for the year ended February 28, 2014. Expenditures may not exceed appropriations. Any amendment to the original budget must meet the requirements of Public Act 621.

## Village of Bear Lake

### Notes to the Financial Statements

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#### **Assets, Liabilities, and Fund Equity**

##### ***Cash and Cash Equivalents***

The Village'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 Village policy authorize the Village 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.
- In United States government or federal agency obligation repurchase agreements.
- 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.
- External investment pools as authorized by Public Act 20 as amended through February, 1997.

##### ***Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectable.

## Village of Bear Lake

### Notes to the Financial Statements

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., water system and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of two years and an initial individual cost of more than \$1,000. 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following useful lives:

<b>Description</b>	<b>Method</b>	<b>Life</b>
Machinery & Equipment	Straight Line	5 - 7 Years
Vehicles	Straight Line	10 Years
Land & Improvements	Straight Line	10 - 40 Years
Water System	Straight Line	35 Years

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

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond 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.

## Village 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 Village Council is the highest level of decision-making authority for the government that can, by adoption of a resolution or majority vote prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution or majority vote remains in place until a similar action is taken (the adoption of another resolution or majority vote) 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 Village Council has authorized the Village Supervisor to assign fund balance. The Village Council may also 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 Village's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Village Council.

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

The Village property tax is levied on December 1<sup>st</sup> on the taxable valuation of property located in the Village as of the preceding December 31<sup>st</sup>. The billings are due on or before February 14<sup>th</sup>, after which time the bill becomes delinquent and penalties and interest may be assessed by the Village. It is the Village's policy to recognize revenues in the current year when they are levied and made available for the financing of Village operations. The Village considers property taxes levied on December 1<sup>st</sup> to be revenues of the current period.

## Village 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 Budget**

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 February 28, 2014, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General</b>			
Building & Grounds	\$ 86,900	\$ 108,000	\$ (21,100)
Trees	\$ 9,000	\$ 11,820	\$ (2,820)

#### **Note 3 – Cash and Investments**

Following is a reconciliation of deposit balances as of February 28, 2014:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Cash	\$ 146,723	\$ 107,124	\$ 253,847

***Custodial Credit Risk - Deposits.*** Custodial credit risk is the risk that, in the event of a bank failure, the Village's deposits might not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. As of year-end the Village's bank balance of \$257,256 was not 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 Village believes it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

***Credit Risk.*** State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial



## Village of Bear Lake

### Notes to the Financial Statements

institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Village's investment policy does not have specific limits in excess of state law on investment credit risk.

**Interest Rate Risk.** Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Village's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

#### Note 4 – Capital Assets

Capital asset activity for governmental activities for the year ended February 28, 2014 was as follows:

<b>Governmental Activities</b>	Balance at 2/28/2013	Additions	Disposals	Balance at 2/28/2014
Capital Assets, not Being Depreciated				
Land	\$ 122,571	\$ -	\$ -	\$ 122,571
Total Capital Assets not Being Depreciated	<u>122,571</u>	<u>-</u>	<u>-</u>	<u>122,571</u>
Capital Assets, Being Depreciated:				
Land & Improvements	-	20,750	-	20,750
Machinery & Equipment	72,393	-	-	72,393
Vehicles	54,417	-	-	54,417
Total Capital Assets Being Depreciated	<u>126,810</u>	<u>20,750</u>	<u>-</u>	<u>147,560</u>
Less Accumulated Depreciation:				
Land & Improvements	-	403	-	403
Machinery & Equipment	68,458	1,312	-	69,770
Vehicles	54,417	-	-	54,417
Total Accumulated Depreciation	<u>122,875</u>	<u>1,715</u>	<u>-</u>	<u>124,590</u>
Net Capital Assets - Governmental	<u>\$ 126,506</u>	<u>\$ 19,035</u>	<u>\$ -</u>	<u>\$ 145,541</u>

**Village of Bear Lake**

Notes to the Financial Statements

<b>Business-type Activities</b>	Balance at 2/28/2013	Additions	Disposals	Balance at 2/28/2014
Capital Assets, Being Depreciated:				
Land & Improvements	\$ 406,389	\$ -	\$ -	\$ 406,389
Machinery & Equipment	6,457	-	-	6,457
Water System	862,223	-	-	862,223
Total Capital Assets Being Depreciated	<u>1,275,069</u>	<u>-</u>	<u>-</u>	<u>1,275,069</u>
Less Accumulated Depreciation:				
Land & Improvements	179,416	11,079	-	190,495
Machinery & Equipment	6,457	-	-	6,457
Water System	28,741	24,635	-	53,376
Total Accumulated Depreciation	<u>214,614</u>	<u>35,714</u>	<u>-</u>	<u>250,328</u>
Net Capital Assets - Business-type	<u>\$ 1,060,455</u>	<u>\$ (35,714)</u>	<u>\$ -</u>	<u>\$ 1,024,741</u>

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

Governmental Activities:		
General Government		<u>\$ 1,715</u>
Business-type Activities:		
Water System		\$ 34,488
Boat Launch		<u>1,226</u>
	Total Business-type Activities	<u>\$ 35,714</u>

**Note 5 – Interfund Balances & Interfund Transfers**

As of February 28, 2014, the interfund balances were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Major Street	\$ 2,449
General	Park Fund	2,202
General	Nonmajor Governmental	4,741
Water	Park Fund	8,475

Interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service

## Village of Bear Lake

### Notes to the Financial Statements

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payments become due; and (3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations. There were no transfers between funds of the Village for the current year.

#### Note 6 – Defined Contribution Pension Plan

Bear Lake Village provides pension benefits to full time employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by the Bear Lake Village Council, the Village contributes 2.7% of employees' gross earnings. In accordance with these requirements, Bear Lake Village contributed \$1,183 during the fiscal year ending February 28, 2014. There were employee contributions during this same period in the amount of \$7,280.

#### Note 7 – Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability, property and casualty, and workers' compensation are managed through purchased commercial insurance.

#### Note 8 – Long-term Debt

The following is a summary of long-term debt activity that occurred during the year ended February 28, 2014:

	February 28, 2013	Reductions	February 28, 2014	Due Within One Year
Business-type Activities:				
Bond Payable - Water System Improvements	\$ 80,000	\$ 10,000	\$ 70,000	\$ 10,000

In September 2010 the Village Council approved a loan for water system improvements. Requirements of the grant included a \$100,000 bond to be applied to the improvement project. The first payment was due March 2011. The loan is scheduled for a ten year amortization with an interest rate of 4.15%.

## Village of Bear Lake

### Notes to the Financial Statements

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The following is the amortization of this loan:

	<b>Business-type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 10,000	\$ 2,733	\$ 12,733
2016	10,000	2,312	12,312
2017	10,000	1,897	11,897
2018	10,000	1,471	11,471
2019	10,000	1,050	11,050
2020-2021	20,000	839	20,839
Totals	<u>\$ 70,000</u>	<u>\$ 10,302</u>	<u>\$ 80,302</u>

#### **Note 10 – Contingent Liabilities**

The Village, in connection with the normal conduct of its affairs, is not involved in any other various claims, judgments, or litigation. The Village's attorney and management estimate that the potential claims against the Village, not covered by insurance resulting from such litigation, would not materially affect the financial statements of the Village as of Sep 19, 2014.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Village of Bear Lake**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended February 28, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Positive (Negative) Final to Actual</b>
<b>Revenues</b>				
Taxes & Penalties	\$ 63,000	\$ 55,545	\$ 55,545	\$ --
State Revenue Sharing	22,000	21,260	21,260	--
Charges for Services	2,500	2,509	2,509	--
Rents & Royalties	2,900	2,145	2,145	--
Interest Income	35	31	31	--
<b>Total Revenues</b>	<u>90,435</u>	<u>81,490</u>	<u>81,490</u>	<u>--</u>
<b>Other Financing Sources</b>				
Transfers from Other Funds	34,000	25,055	--	(25,055)
<b>Total Revenues and Other Financing Sources</b>	<u>124,435</u>	<u>106,545</u>	<u>81,490</u>	<u>(25,055)</u>
<b>Expenditures</b>				
<b>General Government</b>				
Legislative	10,000	10,000	8,785	1,215
Treasurer	9,000	9,000	8,975	25
Clerk	12,800	12,800	12,518	282
Elections	650	650	--	650
Building & Grounds	86,900	86,900	108,000	(21,100)
All Other General Government	800	800	2,064	(1,264)
<b>Total General Government</b>	<u>120,150</u>	<u>120,150</u>	<u>140,342</u>	<u>( 20,192 )</u>
<b>Public Works</b>				
Trees	9,000	9,000	11,820	(2,820)
Waste Day	90	90	90	--
<b>Total Public Works</b>	<u>9,090</u>	<u>9,090</u>	<u>11,910</u>	<u>(2,820)</u>
<b>Total Expenditures</b>	<u>129,240</u>	<u>129,240</u>	<u>152,252</u>	<u>(23,012)</u>
<b>Other Financing Uses</b>				
<b>Total Expenditures and Other Financing Uses</b>	<u>129,240</u>	<u>129,240</u>	<u>152,252</u>	<u>(23,012)</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>(4,805)</u>	<u>(22,695)</u>	<u>(70,762)</u>	<u>(48,067)</u>
<b>Net Change in Fund Balance</b>	<u>(4,805)</u>	<u>(22,695)</u>	<u>(70,762)</u>	<u>(48,067)</u>
<b>Fund Balance at Beginning of Period</b>	113,349	113,349	113,349	--
<b>Fund Balance at End of Period</b>	<u>\$ 108,544</u>	<u>\$ 90,654</u>	<u>\$ 42,587</u>	<u>\$ (48,067)</u>

**Village of Bear Lake**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Major Streets**  
**For the Year Ended February 28, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Positive (Negative) Final to Actual</b>
<b>Revenues</b>				
State Revenue Sharing	\$ 17,000	\$ 17,000	\$ 17,721	\$ 721
Interest Income	36	36	31	(5)
<b>Total Revenues</b>	<u>17,036</u>	<u>17,036</u>	<u>17,752</u>	<u>716</u>
<b>Expenditures</b>				
Public Works	26,700	26,700	15,527	11,173
<b>Total Expenditures</b>	<u>26,700</u>	<u>26,700</u>	<u>15,527</u>	<u>11,173</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>(9,664)</u>	<u>(9,664)</u>	<u>3,514</u>	<u>13,178</u>
<b>Net Change in Fund Balance</b>	<b>(9,664)</b>	<b>(9,664)</b>	<b>3,514</b>	<b>13,178</b>
Fund Balance at Beginning of Period	43,974	43,974	43,974	--
<b>Fund Balance at End of Period</b>	<b>\$ 34,310</b>	<b>\$ 34,310</b>	<b>\$ 47,488</b>	<b>\$ 13,178</b>

## **OTHER SUPPLEMENTARY INFORMATION**



**Village of Bear Lake  
Combining Balance Sheet  
Nonmajor Governmental Funds  
February 28, 2014**

	<b>Special Revenue</b>			<b>Total Nonmajor Governmental Funds</b>
	<b>Local Streets</b>	<b>Building Control Fund</b>	<b>Equipment Replacement Fund</b>	
<b>ASSETS</b>				
Cash	\$ 24,243	\$ 32,534	\$ 3,801	\$ 60,578
Due from State	1,491	--	--	1,491
<i>Total Assets</i>	<b>\$ 25,734</b>	<b>\$ 32,534</b>	<b>\$ 3,801</b>	<b>\$ 62,069</b>
<b>LIABILITIES</b>				
Due to Other Funds	\$ 2,449	\$ --	\$ --	\$ 2,449
<i>Total Liabilities</i>	2,449	--	--	2,449
<b>FUND BALANCE</b>				
Restricted	23,285	--	--	23,285
Assigned	--	32,534	3,801	36,335
<i>Total Fund Balance</i>	23,285	32,534	3,801	59,620
<i>Total Liabilities and Fund Balance</i>	<b>\$ 25,734</b>	<b>\$ 32,534</b>	<b>\$ 3,801</b>	<b>\$ 62,069</b>

**Village of Bear Lake**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended February 28, 2014**

	Special Revenue			Total Nonmajor Governmental Funds
	Local Streets	Building Control Fund	Equipment Replacement Fund	
<b>Revenues</b>				
State Revenue Sharing	\$ 8,080	\$ --	\$ --	\$ 8,080
Other Revenues	5	--	--	5
Interest Income	15	165	1	181
<b>Total Revenues</b>	<b>8,100</b>	<b>165</b>	<b>1</b>	<b>8,266</b>
<b>Expenditures</b>				
General Government	--	--	100	100
Public Works	839	--	--	839
<b>Total Expenditures</b>	<b>839</b>	<b>--</b>	<b>100</b>	<b>939</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>7,261</b>	<b>165</b>	<b>(99)</b>	<b>7,327</b>
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	--	--	--	--
Transfers to Other Funds	--	--	--	--
<b>Net Other Financing Sources (Uses)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Net Change in Fund Balance</b>	<b>7,261</b>	<b>165</b>	<b>(99)</b>	<b>7,327</b>
<i>Fund Balance at Beginning of Period</i>	16,024	32,369	3,900	52,293
<b>Fund Balance at End of Period</b>	<b>\$ 23,285</b>	<b>\$ 32,534</b>	<b>\$ 3,801</b>	<b>\$ 59,620</b>

September 19, 2014

To the Village Board  
Village of Bear Lake

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Bear Lake (the "Village") for the year ended February 28, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, 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 July 25, 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 Village are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year 2014. We noted no transactions entered into by the Village during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the current year capital asset depreciation expense is based on the estimated useful lives of the Village's capital assets. We evaluated the key factors and assumptions used to develop the current year capital asset depreciation expense in determining that the depreciation expense, and ending net book value of the underlying assets, are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### *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 clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- Capital outlay in in the general fund was increased by \$14,500 to reconcile capital asset additions.
- Depreciation expense in the water fund was increased by \$34,488 to record current year depreciation expense.
- Accounts receivable and unearned revenue were adjusted by \$6,623 to reconcile current year revenues in the park fund.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is 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 19, 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 Village's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

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

### Other Matters

We applied certain limited procedures to management's discussion and analysis and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual nonmajor fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### Restriction on Use

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

Very truly yours,



Gabridge & Company, PLC  
Grand Rapids, 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 Village Council  
Village of Bear Lake  
Bear Lake, Michigan

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, each major fund, and the aggregate remaining fund information of the Village of Bear Lake, Michigan (the "Village"), as of and for the year ended February 28, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated September 19, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Village'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 Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village'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 Village'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 Village's Response to Findings**

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Village'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 typed name of the firm.

Gabridge & Company, PLC  
Grand Rapids, Michigan  
September 19, 2014

# Village of Bear Lake

## Schedule of Findings and Responses

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### Material Weaknesses

#### **2014-1 – Preparation of Governmental Financial Statements**

**Criteria:** All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both 1) recording, processing and summarizing accounting data (i.e., maintaining internal books and records), and 2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

**Condition/Finding:** As is the case with many smaller and medium sized entities, the Village has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Village's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered a part of the Village's internal controls. In addition, we proposed, and management approved, material journal entries to properly record debt service, accounts receivable, interfund balances, and capital asset transactions in the proprietary and governmental funds.

**Cause:** This condition was caused by the Village's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Village to perform this task internally.

**Effect:** As a result of this condition, the Village lacks complete internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, at least in part, on its external auditors for assistance with this task. In addition, the Village's records were initially misstated by an amount material to the financial statements. Finally, management of the Village is not able to review and inquire of the financial condition of the Village on a timely basis.

**View of Responsible Officials:** It is the Village's intent to improve upon the internal controls so that the financial statements are prepared in accordance with GAAP. The Village is working with the auditor to enable the Village to prepare GAAP financial statements internally.