

**TOWNSHIP OF BLUE LAKE  
KALKASKA COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2013**



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## INDEPENDENT AUDITORS' REPORT

To the Township Board  
Township of Blue Lake, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Township of Blue Lake, Michigan, as of and for the year ended June 30, 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, each major fund, and the remaining fund information of the Township of Blue Lake, Michigan, as of June 30, 2013, and the respective changes in financial position 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 schedules 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.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Blue Lake, Michigan's basic financial statements. The 2012 Property Tax Levy and Collections Schedule is presented for additional analysis and is not a required part of these financial statements. The 2012 Property Tax Levy and Collections Schedule are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013, on our consideration of the Township of Blue 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 Blue 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 typed name of the firm.

Gabridge & Company, PLC  
Grand Rapids, MI  
December 13, 2013

## **Management Discussion and Analysis**

As the Township Board of Blue Lake Township, Kankaska County, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Blue Lake Township for the fiscal year ended June 30, 2013.

### **Financial Highlights**

- The assets of Blue Lake Township exceeded its liabilities at the close of the most recent fiscal year by \$2,389,296. Of this amount, \$296,067 is unrestricted and may be used to meet the township's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of \$671,951, a decrease of \$97,600 in comparison with the prior year. The entire total amount, \$272,557 is unassigned and available for spending at the township's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$272,557, or 191 percent of total General Fund expenditures.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Blue Lake Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information, in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements**

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

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

The *Statement of Activities* presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused credits, and used but not paid expenses).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include: general government, public safety, road projects, and township improvements. Blue Lake Township does not have any business-type activities (examples would include water and sewer).

## **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. Blue Lake Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Blue Lake Township are categories as governmental and fiduciary funds.

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

Blue Lake Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Township Improvement Fund, Fire & Rescue Fund, Trash Pickup Fund, and Highway Improvement Fund. All Township government activities are included in these five funds. The Township adopts an annual appropriated budget for its General Fund and all special revenue funds.

**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 Fund.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## **Government-wide Financial Analysis**

### **Statement of Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Blue Lake Township, assets exceeded liabilities by \$2,389,296 at the close of the most recent fiscal year.

By far the most significant portion of the Township's net position \$1,717,345 or 71 percent of the total reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). The Township used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. The Township's investment in its capital assets has been made over the past several years and no related debt is outstanding.

Blue Lake Township capital assets include the Township hall located on Twin Lake Rd., two fire and rescue barns located on Blue Lake Rd., fire fighting and rescue equipment, computers, and several plots of land located through out the township.

**Township of Blue Lake**  
**Net Position as of June 30, 2013 and June 30, 2012**

|                                  | <b>Governmental<br/>Activities</b> |                     |
|----------------------------------|------------------------------------|---------------------|
|                                  | <b>2013</b>                        | <b>2012</b>         |
| <b>ASSETS</b>                    |                                    |                     |
| <i>Current Assets</i>            |                                    |                     |
| Cash & Cash Equivalents          | \$ 660,207                         | \$ 761,333          |
| Due from State                   | 9,364                              | 9,004               |
| Prepaid Expenditures             | 3,671                              | -                   |
| <b>Total Current Assets</b>      | <b>673,242</b>                     | <b>770,337</b>      |
| <i>Noncurrent Assets</i>         |                                    |                     |
| Capital Assets (Net)             | 780,127                            | 763,199             |
| Intangible Assets (Net)          | 937,218                            | 744,590             |
| <b>Total Assets</b>              | <b>2,390,587</b>                   | <b>2,278,126</b>    |
| <b>LIABILITIES</b>               |                                    |                     |
| <i>Current Liabilities</i>       |                                    |                     |
| Accounts Payable                 | 1,291                              | 786                 |
| <b>Total Current Liabilities</b> | <b>1,291</b>                       | <b>786</b>          |
| <b>NET POSITION</b>              |                                    |                     |
| Net Investment in Capital Assets | 1,717,345                          | 1,508,149           |
| Restricted                       | 375,884                            | 459,489             |
| Unrestricted                     | 296,067                            | 310,062             |
| <b>Total Net Position</b>        | <b>\$ 2,389,296</b>                | <b>\$ 2,277,700</b> |

A portion of the Township's net position (20 percent) represents resources that are subject to external restrictions on how they may be used (highway, fire & rescue, trash pickup). The remaining balance of *unrestricted net position* \$296,067 may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive fund equity balances in both the government as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year.



**Statement of Activities**

Governmental activities increased the Township’s net position by \$111,596. A two year comparative summary of the changes in net position for the Township is as follows:

**Township of Blue Lake  
Change in Net Position for Fiscal Year Ended  
June 30, 2013 and June 30, 2012**

|                                      | <b>Governmental<br/>Activities</b> |              |
|--------------------------------------|------------------------------------|--------------|
|                                      | <b>2013</b>                        | <b>2012</b>  |
| <b>Revenue</b>                       |                                    |              |
| <b>Program Revenues</b>              |                                    |              |
| Charges for Services                 | \$ 16,414                          | \$ 16,220    |
| Capital Grants & Contributions       | 10,000                             | 1,914        |
| <i><b>Total Program Revenues</b></i> | 26,414                             | 18,134       |
| <b>General Revenues</b>              |                                    |              |
| Property Taxes & Assessments         | 396,459                            | 406,363      |
| State Revenue Sharing                | 48,151                             | 40,577       |
| Interest & Rents                     | 1,960                              | 4,160        |
| Other                                | 2,022                              | 3,902        |
| <i><b>Total Revenues</b></i>         | 475,006                            | 473,136      |
| <b>Expenses</b>                      |                                    |              |
| General Government                   | 127,287                            | 119,998      |
| Public Safety                        | 121,738                            | 120,592      |
| Public Works                         | 100,424                            | 80,957       |
| Community & Economic Development     | 12,437                             | 16,307       |
| Health & Welfare                     | 1,524                              | 1,786        |
| <i><b>Total Expenses</b></i>         | 363,410                            | 339,640      |
| <i><b>Change in Net Position</b></i> | 111,596                            | 133,496      |
| <i>Beginning Net Position</i>        | 2,277,700                          | 2,144,204    |
| <i><b>Ending Net Position</b></i>    | \$ 2,389,296                       | \$ 2,277,700 |

## **Financial Analysis of the Government's Funds**

The Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Township's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a Township's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$671,951, a decrease of \$97,600 in comparison with the prior year. Of this \$671,951 fund balance, \$375,884 is restricted.

**General Fund** The General Fund is used for normal governmental activities such as, paying employees, running elections, zoning activities, office supplies, and other activities. The General Fund increased its fund balance in this fiscal year by \$39,328, bringing the balance to \$276,228.

**Fire Fund** The Fire and Rescue Fund is used to operate, maintain and equip the Fire and Rescue Department. The Fire Fund is supported by a 1.00 tax mill which is used both for operations and capital improvements. The fund balance of the Fire Fund at the most recent fiscal year end was \$208,270. This was an increase of \$44,553 from the previous fiscal year end.

**Highway Improvement Fund** The Highway Improvement Fund is used to construct, pave and repave roads within the township. This fund is supported by a 1.2 mill tax levy. The fund balance of the Highway Improvement Fund at the most recent fiscal year end was \$116,748. This was a decrease of \$116,702 from the previous fiscal year end. This fund was used to finance the paving of Twin Lake Road in the summer of 2013 at a total project cost of \$248,292.

**Improvement Revolving Fund** The Improvement Revolving Fund is used for unbudgeted emergency situations. The fund balance of the Township Improvement Fund at the most recent fiscal year end was \$19,839. This was a decrease of \$53,323 from the previous fiscal year end. This fund was used to build a shed and high capacity well for the fire department to procure water on the west side of the Township.

**Trash Pickup Fund** The Trash Pickup Fund is used to pay a contractor to remove residential waste from the Township. The fund is supported by a 0.6 mill tax levy which was reduced by the Township Board to 0.3 mills in order to reduce the value of the fund. The fund balance of the Trash Pickup Fund at the most recent fiscal year end was \$50,866. This was a decrease of \$11,456 from the previous fiscal year end.

### **General Fund Budgetary Highlights**

Changes from the original budget and the final amended budget were relatively minor for the year. During the current fiscal year, the Township had no actual expenditures in excess of the amount budgeted in the final amended budget of the General Fund.

### **Capital Asset and Debt Administration**

The Township's investment in capital assets for governmental activities at year end amounted to \$1,717,345 (net of accumulated depreciation). Capital assets of the Township include any items purchased that cost in excess of \$1,000 and have an expected useful life of more than one year. The Township has invested in a broad range of capital assets, as detailed below:

#### **Township of Blue Lake Capital Assets as of June 30, 2013**

|                           | <b><u>Governmental<br/>Activities</u></b> |
|---------------------------|---|
| Land                      | \$ 1,705                                  |
| Buildings                 | 499,435                                   |
| Road Improvements         | 1,141,168                                 |
| Vehicles & Equipment      | 811,319                                   |
| <i>Subtotal</i>           | <u>2,453,627</u>                          |
| Accumulated Depreciation  | <u>736,282</u>                            |
| <i>Net Capital Assets</i> | <u>\$ 1,717,345</u>                       |

### **Economic Factors and Next Year's Budgets and Rates**

While state shared revenues have been lower in recent years and negatively impacted provision of general government services, including street maintenance, these revenues have at least leveled off.

Home sales in the area have also been light with owners receiving lower prices than expected; this has lowered the residential tax base in the Township. The Township's taxable value increased slightly to \$106,442,217.

The Township's General Fund millage rate (normally 1.00 mill) has been reduced by the Headlee Amendment rollback to 0.8123 mills for general operating purposes. Looking ahead, we will continue to balance the budgets with tight controls over spending, while striving to provide the Township's residents with the same level of service to which they have been accustomed.

### **Contacting the Township's Finance Department**

This Financial report is designed to provide the wide variety of users of this document with a general overview of the Township's finances and demonstrate the Township's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to:

Township of Blue Lake, Dean McCulloch – Township Supervisor, 10599 Twin Lake Road,  
Mancelona, Michigan 49659

**Township of Blue Lake  
Statement of Net Position  
June 30, 2013**

|                                    | <b>Primary<br/>Government<br/>Governmental<br/>Activities</b> |
|------------------------------------|---|
| <b>ASSETS</b>                      |   |
| <i>Current Assets</i>              |   |
| Cash & Cash Equivalents            | \$ 660,207  |
| Receivables (Net)                  | 9,364   |
| Prepaid Expenditures               | 3,671   |
| <b><i>Total Current Assets</i></b> | <b>673,242</b>  |
| <i>Noncurrent Assets</i>           |   |
| Land                               | 1,705   |
| Capital Assets (Net)               | 778,422   |
| Intangible Assets (Net)            | 937,218   |
| <b><i>Total Assets</i></b>         | <b>2,390,587</b>  |
| <b>LIABILITIES</b>                 |   |
| <i>Current Liabilities</i>         |   |
| Accounts Payable                   | 1,291   |
| <b><i>Total Liabilities</i></b>    | <b>1,291</b>  |
| <b>NET POSITION</b>                |   |
| Net Investment in Capital Assets   | 1,717,345   |
| <i>Restricted for:</i>             |   |
| Highway Improvements               | 116,748   |
| Fire Protection                    | 208,270   |
| Trash Pickup                       | 50,866  |
| <i>Unrestricted</i>                | 296,067   |
| <b><i>Total Net Position</i></b>   | <b>\$ 2,389,296</b>   |

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

**Township of Blue Lake  
Statement of Activities  
For the Year Ended June 30, 2013**

| <u>Functions/Programs</u>                              | <u>Expenses</u>       | <u>Program Revenues</u>         |   |   | <u>Net (Expense)<br/>Revenue</u>                              |
|--|-----------------------|---------------------------------|---|---|---|
|  |                       | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital Grants<br/>and<br/>Contributions</u> | <u>Primary<br/>Government<br/>Governmental<br/>Activities</u> |
| <b>Primary Government<br/>Governmental Activities:</b> |                       |                                 |   |   |   |
| Legislative  | \$ 28,211             | \$ --                           | \$ --   | \$ --   | \$ (28,211)   |
| General Government                                     | 99,076                | 6,883                           | --  | --  | (92,193)  |
| Public Safety  | 121,738               | --                              | --  | 10,000  | (111,738)   |
| Public Works   | 100,424               | 9,531                           | --  | --  | (90,893)  |
| Community & Economic Development                       | 12,437                | --                              | --  | --  | (12,437)  |
| Health & Welfare                                       | 1,524                 | --                              | --  | --  | (1,524)   |
| <b><i>Total Governmental Activities</i></b>            | <b><u>363,410</u></b> | <b><u>16,414</u></b>            | <b><u>--</u></b>                                  | <b><u>10,000</u></b>                            | <b><u>(336,996)</u></b>                                       |
| <b>General Purpose Revenues and Transfers:</b>         |                       |                                 |   |   |   |
| <b>Revenues</b>  |                       |                                 |   |   |   |
|  |                       |                                 |   |   | 396,459   |
|  |                       |                                 |   |   | 48,151  |
|  |                       |                                 |   |   | 1,960   |
|  |                       |                                 |   |   | 2,022   |
| <b>Transfers</b>                                       |                       |                                 |   |   |   |
|  |                       |                                 |   |   | --  |
|  |                       |                                 |   |   | <u>448,592</u>  |
|  |                       |                                 |   |   | <b>111,596</b>  |
|  |                       |                                 |   |   | 2,277,700   |
|  |                       |                                 |   |   | <b><u>\$ 2,389,296</u></b>                                    |

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

**Township of Blue Lake  
Balance Sheet  
Governmental Funds  
June 30, 2013**

|   | Special Revenue   |                   |                          |                        | Special Revenue<br>Nonmajor | Total<br>Governmental<br>Funds |
|---|-------------------|-------------------|--------------------------|------------------------|-----------------------------|--------------------------------|
|   | General           | Fire              | Improvement<br>Revolving | Highway<br>Improvement | Trash Pickup                |                                |
| <b>ASSETS</b>                             |                   |                   |                          |                        |                             |                                |
| Cash & Cash Equivalents                   | \$ 263,647        | \$ 209,107        | \$ 19,839                | \$ 116,748             | \$ 50,866                   | \$ 660,207                     |
| Receivables (Net)                         | 9,364             | --                | --                       | --                     | --                          | 9,364                          |
| Prepaid Expenditures                      | 3,671             | --                | --                       | --                     | --                          | 3,671                          |
| <b>Total Assets</b>                       | <b>\$ 276,682</b> | <b>\$ 209,107</b> | <b>\$ 19,839</b>         | <b>\$ 116,748</b>      | <b>\$ 50,866</b>            | <b>\$ 673,242</b>              |
| <b>LIABILITIES</b>                        |                   |                   |                          |                        |                             |                                |
| Accounts Payable                          | \$ 454            | \$ 837            | \$ --                    | \$ --                  | \$ --                       | \$ 1,291                       |
| <b>Total Liabilities</b>                  | <b>454</b>        | <b>837</b>        | <b>--</b>                | <b>--</b>              | <b>--</b>                   | <b>1,291</b>                   |
| <b>FUND BALANCE</b>                       |                   |                   |                          |                        |                             |                                |
| Nonspendable                              | 3,671             | --                | --                       | --                     | --                          | 3,671                          |
| Restricted                                | --                | 208,270           | --                       | 116,748                | 50,866                      | 375,884                        |
| Assigned                                  | --                | --                | 19,839                   | --                     | --                          | 19,839                         |
| Unassigned                                | 272,557           | --                | --                       | --                     | --                          | 272,557                        |
| <b>Total Fund Balance</b>                 | <b>276,228</b>    | <b>208,270</b>    | <b>19,839</b>            | <b>116,748</b>         | <b>50,866</b>               | <b>671,951</b>                 |
| <b>Total Liabilities and Fund Balance</b> | <b>\$ 276,682</b> | <b>\$ 209,107</b> | <b>\$ 19,839</b>         | <b>\$ 116,748</b>      | <b>\$ 50,866</b>            | <b>\$ 673,242</b>              |

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

**Township of Blue Lake**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2013**

|  |                            |
|--|----------------------------|
| Total Fund Balance - Governmental Funds  | \$ 671,951                 |
| General government intangible assets of \$1,141,167 net of accumulated amortization of \$203,949 are not financial resources and accordingly are not reported in the funds | 937,218                    |
| General government capital assets of \$1,312,459 net of accumulated depreciation of \$532,332 are not financial resources and accordingly are not reported in the funds    | 780,127                    |
| <b>Total Net Position - Governmental Funds</b>   | <b>\$ <u>2,389,296</u></b> |

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



**Township of Blue Lake**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2013**

|   | Special Revenue   |                   |                          |                        | Special Revenue<br>Nonmajor | Total<br>Governmental<br>Funds |
|---|-------------------|-------------------|--------------------------|------------------------|-----------------------------|--------------------------------|
|   | General           | Fire              | Improvement<br>Revolving | Highway<br>Improvement | Trash Pickup                |                                |
| <b>Revenues</b>   |                   |                   |                          |                        |                             |                                |
| Taxes   | \$ 126,951        | \$ 107,604        | \$ --                    | \$ 129,134             | \$ 32,770                   | \$ 396,459                     |
| Licenses & Permits                                      | 1,945             | --                | --                       | --                     | --                          | 1,945                          |
| State Revenue Sharing                                   | 45,969            | --                | --                       | 2,182                  | --                          | 48,151                         |
| Grant Revenue   | --                | 10,000            | --                       | --                     | --                          | 10,000                         |
| Charges for Services                                    | 4,938             | --                | --                       | --                     | --                          | 4,938                          |
| Interest & Rents  | 794               | 557               | 9,692                    | 274                    | 174                         | 11,491                         |
| Other   | 1,415             | 607               | --                       | --                     | --                          | 2,022                          |
| <b>Total Revenues</b>                                   | <b>182,012</b>    | <b>118,768</b>    | <b>9,692</b>             | <b>131,590</b>         | <b>32,944</b>               | <b>475,006</b>                 |
| <b>Expenditures</b>                                     |                   |                   |                          |                        |                             |                                |
| Legislative   | 28,211            | --                | --                       | --                     | --                          | 28,211                         |
| General Government                                      | 89,667            | --                | --                       | --                     | --                          | 89,667                         |
| Public Safety   | 10,845            | 64,215            | --                       | --                     | --                          | 75,060                         |
| Health & Welfare  | 1,524             | --                | --                       | --                     | --                          | 1,524                          |
| Public Works  | --                | --                | --                       | --                     | 44,400                      | 44,400                         |
| Community & Economic Development                        | 12,437            | --                | --                       | --                     | --                          | 12,437                         |
| Capital Outlay  | --                | 10,000            | 63,015                   | 248,292                | --                          | 321,307                        |
| <b>Total Expenditures</b>                               | <b>142,684</b>    | <b>74,215</b>     | <b>63,015</b>            | <b>248,292</b>         | <b>44,400</b>               | <b>572,606</b>                 |
| <b>Excess of Revenues Over<br/>(Under) Expenditures</b> | <b>39,328</b>     | <b>44,553</b>     | <b>(53,323)</b>          | <b>(116,702)</b>       | <b>(11,456)</b>             | <b>(97,600)</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>--</b>                   | <b>--</b>                      |
| <b>Net Change in Fund Balance</b>                       | <b>39,328</b>     | <b>44,553</b>     | <b>(53,323)</b>          | <b>(116,702)</b>       | <b>(11,456)</b>             | <b>(97,600)</b>                |
| <i>Fund Balance at Beginning of Period</i>              | 236,900           | 163,717           | 73,162                   | 233,450                | 62,322                      | 769,551                        |
| <b>Fund Balance at End of Period</b>                    | <b>\$ 276,228</b> | <b>\$ 208,270</b> | <b>\$ 19,839</b>         | <b>\$ 116,748</b>      | <b>\$ 50,866</b>            | <b>\$ 671,951</b>              |

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

**Township of Blue Lake**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended June 30, 2013**

|  |           |                       |
|--|-----------|-----------------------|
| Total Net Change in Fund Balances - Governmental Funds   | \$        | (97,600)              |
| <p>Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their useful lives as depreciation. This is the amount by which capital outlay expenditures of \$321,307 exceeded depreciation expense of \$112,111 in the current period</p> |           |                       |
|  |           | 209,196               |
| <b>Changes in Net Position - Governmental Funds</b>  | <b>\$</b> | <b><u>111,596</u></b> |

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

**Township of Blue Lake  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2013**

|                          | <u>Agency</u>   |
|--------------------------|-----------------|
|                          | <u>Tax Fund</u> |
| <b>ASSETS</b>            |                 |
| Cash & Cash Equivalents  | \$ 100          |
| <i>Total Assets</i>      | <u>100</u>      |
| <b>LIABILITIES</b>       |                 |
| Due to Other Agencies    | <u>100</u>      |
| <i>Total Liabilities</i> | <u>100</u>      |
| <b>NET POSITION</b>      |                 |
| Held in Trust            | <u>\$ --</u>    |

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

# Township of Blue Lake

## Notes to the Financial Statements

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Reporting Entity**

Blue Lake Township is a general law township located in Kankaska County. Population as of the 2010 census was 387, and the current taxable value is \$106,442,217.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "The Financial Reporting Entity" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

#### **Basis of Presentation**

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

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

#### **Fund Financial Statements**

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all nonmajor funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following fund types:

**General Fund** - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

## Township of Blue Lake

### Notes to the Financial Statements

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**Special Revenue Funds** - These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

**Fiduciary Funds** - These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

In addition to the General Fund, the Township reports the following major governmental funds:

The **Highway Improvement Fund** provides road and highway improvements funded by property taxes. The Township works with Kalkaska County Road Commission to pave and repair its roads.

The **Fire Fund** provides funding to the Fire and Rescue department for both operational and equipment needs.

The **Improvement Revolving Fund** uses rents and royalties to fund any type of improvements in the Township.

The nonmajor **Trash Pickup Fund** is used to pay a contractor to collect and dispose of residential trash.

#### **Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fiduciary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the Statement of Net Position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other governmental fund revenues, expenditures

# Township of Blue Lake

## Notes to the Financial Statements

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are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual is property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

### **Budgets**

The General Fund and special revenue funds are under formal budgetary control. Budgets shown in the required supplementary schedules for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

### **Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

| <b>Assets</b>         | <b>Useful Life</b> |
|-----------------------|--------------------|
| Buildings             | 40 years           |
| Machinery & Equipment | 5-22 years         |

### **Compensated Absences**

The Township provides no compensated absences for its employees.

# Township of Blue Lake

## Notes to the Financial Statements

### **Property Tax Procedures and Collections**

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and / or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

|                     | <u>Taxable Value</u> | <u>Millage Rate</u> |
|---------------------|----------------------|---------------------|
| General Operating   | \$ 106,442,217       | 0.8123              |
| Trash Pickup        | 106,442,217          | 0.3000              |
| Fire Operations     | 106,442,217          | 1.0000              |
| Highway Improvement | 106,442,217          | 1.2000              |

### **Net Position**

Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments; or law through constitutional provisions of enabling legislation.

Unrestricted - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

### **Fund Equity**

In the fund financial statements fund balance is presented in five possible categories, each of which identifies the extent to which the Township is bound to honor constraints on the specific purpose for which the amounts can be spent:

*Nonspendable* – amounts which cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained directly.

# Township of Blue Lake

## Notes to the Financial Statements

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*Restricted* – amounts that have constraints placed on their use by an external party or constitutional provisions or enabling legislation (grants, contributions, specific fee mandates).

*Committed* – amounts that are committed for specific purposes by the Board, as the Township’s highest level of decision-making authority, pursuant to constraints imposed by formal actions taken, such as a majority vote or resolution. These committed amounts cannot be used for any other purpose unless the Board removes or changes the specific use through the same type of formal action taken to establish the commitment.

*Assigned* – amounts that are constrained by the Board’s intent, or designee of the Board, to be used for specific purposes, but are neither restricted nor committed.

*Unassigned* – amounts that are available for any purpose. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

Designations of fund balance represent tentative management plans that are subject to change. It is the Township’s policy to first use restricted resources when both restricted and unrestricted net position or fund balances are available. For purposes of fund balance classification, expenditures are to be spent from Restricted Fund balance first (when appropriate), followed in order by Committed Fund Balance, Assigned Fund Balance, and lastly, Unassigned Fund Balance.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Comparative Data / Reclassifications**

Comparative data is not included in the Township’s financial statements.



# **Township of Blue Lake**

## Notes to the Financial Statements

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### **NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.

All funds had positive fund balances at June 30, 2013.

Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended June 30, 2013, the Township had no expenditures in excess of appropriations.

### **NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS**

#### **Legal Provisions for Deposits and Investments**

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association 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, but only if the bank, savings and loan association, or credit union complies with subsection (2).
3. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
4. Repurchase agreements consisting of instruments defined in (1) above.
5. In bankers' acceptances of United States Banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. In 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 local units of government in Michigan.

## Township of Blue Lake

### Notes to the Financial Statements

#### Types of Deposits and Investments

Cash and Cash Equivalents are reported in the financial statements as follows:

|                         | <b>Governmental<br/>Activities</b> |
|-------------------------|------------------------------------|
| Cash & Cash Equivalents | \$ 660,207                         |

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Township’s deposits may not be returned to it. State law does not require, and the Township does not have a deposit policy for, custodial credit risk. The carrying amounts of the Township’s deposits with financial institution were \$660,207 and the Bank Balance was \$663,362. The balance is categorized as follows:

|                                       | Bank Balance | Carrying Amount |
|---------------------------------------|--------------|-----------------|
| Amount Insured by the FDIC            | \$ 263,561   | \$ 263,561      |
| Amount Uncollateralized and Uninsured | 399,801      | 396,646         |
|                                       | \$ 663,362   | \$ 660,207      |

#### **NOTE 4 – CAPITAL / INTANGIBLE ASSETS**

Capital assets of governmental activities consisted of the following at June 30, 2013:

|   | June 30, 2012 | Additions | Reductions | June 30, 2013 |
|---|---------------|-----------|------------|---------------|
| <b>Governmental Activities - Capital Assets</b>       |               |           |            |               |
| Capital Assets not Being Depreciated - Land           | \$ 1,705      | -         | -          | 1,705         |
| <b>Capital Assets Being Depreciated</b>               |               |           |            |               |
| Buildings   | 432,610       | 66,825    | -          | 499,435       |
| Vehicles & Equipment                                  | 805,129       | 6,190     | -          | 811,319       |
| <b>Total Capital Assets Being Depreciated</b>         | 1,237,739     | 73,015    | -          | 1,310,754     |
| <b>Less Accumulated Depreciation</b>                  |               |           |            |               |
| Buildings   | 127,837       | 11,345    | -          | 139,182       |
| Vehicles & Equipment                                  | 348,408       | 44,742    | -          | 393,150       |
| <b>Total Accumulated Depreciation</b>                 | 476,245       | 56,087    | -          | 532,332       |
| <b>Total Capital Assets - Governmental Activities</b> | \$ 763,199    | \$ 16,928 | \$ -       | \$ 780,127    |

# Township of Blue Lake

## Notes to the Financial Statements

Intangible assets at June 30, 2013 consisted of major improvements to roads owned & maintained by Kalkaska County.

| <b>Governmental Activities - Intangible Assets</b>              | <u>June 30, 2012</u>     | <u>Additions</u>         | <u>Reductions</u>  | <u>June 30, 2013</u>     |
|---|--------------------------|--------------------------|--------------------|--------------------------|
| Road Improvements   | 892,875                  | 248,292                  | -                  | 1,141,167                |
| Less Accumulated Ammortization:                                 | 147,925                  | 56,024                   | -                  | 203,949                  |
| <b><i>Total Intangible Assets - Governmental Activities</i></b> | <b><u>\$ 744,950</u></b> | <b><u>\$ 192,268</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 937,218</u></b> |

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

| <b>Governmental Activities</b>              |                          |
|---|--------------------------|
| General Government                          | \$ 9,409                 |
| Public Safety                               | 46,678                   |
| Public Works                                | 56,024                   |
| <b><i>Total Governmental Activities</i></b> | <b><u>\$ 112,111</u></b> |

### **NOTE 5 - PENSION PLAN**

The Township maintains a defined contribution money purchase pension plan for Michigan Township employees under contract with Municipal Retirement Systems, Inc. Listed below is a summary of the significant plan provisions adopted by Board Resolution in July 1991, and amended in July 2001:

#### **Eligibility Requirements**

1. Attained age of 18.
2. No minimum service requirement.
3. All Township officials and employees earnings over \$500 annual compensation.
4. Thirteen employees were eligible for the 2012-2013 plan year.

#### **Contributions**

1. Approximately 10% of annual compensation funded 100% by the Township on an annual basis.
2. Compensation determined by the wages for the fiscal year coinciding with or ending within the Plan year.

#### **Vesting**

1. Contributions are vested to the employee immediately upon early retirement, termination of service, death, disability, or normal retirement at 100%.

# Township of Blue Lake

## Notes to the Financial Statements

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### **Plan Administration**

1. The plan is administered by Municipal Retirement Systems, Inc. During the year of audit, the total Township contributions paid for the plan year, August 20, 2012 to August 19, 2013, were \$8,310.

### **NOTE 6 – INTERFUND TRANSFERS**

There were no interfund transfers during the year.

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

### **NOTE 7 - ECONOMIC DEPENDENCY**

\$166,359 of 2012 property taxes and \$18,057 of 2012 property tax administration fees were received from Blue Lake Gas/ANR Storage and Pipeline. This represents approximately 47% of the total combined 2012 property taxes and property tax administration fees.

### **NOTE 8 - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

### **NOTE 9 – CONTINGENT LIABILITIES**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**Township of Blue Lake**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2013**

|   | Budgeted Amounts  |                   | Actual            | Variance                                  |
|---|-------------------|-------------------|-------------------|---|
|   | Original          | Final             |                   | Positive<br>(Negative)<br>Final to Actual |
| <b>Revenues</b>   |                   |                   |                   |   |
| Taxes   | \$ 126,039        | \$ 126,039        | \$ 126,951        | \$ 912                                    |
| Licenses & Permits  | 500               | 500               | 1,945             | 1,445                                     |
| State Revenue Sharing   | 30,500            | 30,500            | 45,969            | 15,469                                    |
| Charges for Services  | 4,800             | 4,800             | 4,938             | 138                                       |
| Interest & Rents  | 1,000             | 1,000             | 794               | (206)                                     |
| Other   | --                | --                | 1,415             | 1,415                                     |
| <b>Total Revenues</b>   | <u>162,839</u>    | <u>162,839</u>    | <u>182,012</u>    | <u>19,173</u>                             |
| <b>Other Financing Sources</b>  |                   |                   |                   |   |
| <b>Total Revenues and Other Financing Sources</b>   | <u>162,839</u>    | <u>162,839</u>    | <u>182,012</u>    | <u>19,173</u>                             |
| <b>Expenditures</b>   |                   |                   |                   |   |
| <b>Township Board</b>   | 40,150            | 36,150            | 28,211            | 7,939                                     |
| <b>General Government</b>   |                   |                   |                   |   |
| Supervisor  | 16,935            | 16,935            | 13,117            | 3,818                                     |
| Elections   | 10,229            | 10,229            | 5,011             | 5,218                                     |
| Assessor  | 18,126            | 18,126            | 16,837            | 1,289                                     |
| Clerk   | 20,752            | 20,752            | 17,117            | 3,635                                     |
| Board of Review   | 1,760             | 1,760             | 1,177             | 583                                       |
| Township Hall   | 23,600            | 27,600            | 16,159            | 11,441                                    |
| Treasurer   | 23,296            | 23,296            | 20,249            | 3,047                                     |
| <b>Total General Government</b>   | <u>114,698</u>    | <u>118,698</u>    | <u>89,667</u>     | <u>29,031</u>                             |
| <b>Public Safety - Sheriff Contract</b>   | 11,500            | 11,500            | 10,845            | 655                                       |
| <b>Community &amp; Economic Development</b>   |                   |                   |                   |   |
| Planning Board  | 8,000             | 8,000             | 4,901             | 3,099                                     |
| Zoning Administrator  | 15,228            | 15,228            | 7,536             | 7,692                                     |
| <b>Total Community &amp; Economic Development</b>   | <u>23,228</u>     | <u>23,228</u>     | <u>12,437</u>     | <u>10,791</u>                             |
| <b>Health &amp; Welfare - Hospital</b>  | 1,910             | 1,910             | 1,524             | 386                                       |
| <b>Total Expenditures</b>   | <u>191,486</u>    | <u>191,486</u>    | <u>142,684</u>    | <u>48,802</u>                             |
| <b>Other Financing Uses</b>   |                   |                   |                   |   |
| <b>Total Expenditures and Other Financing Uses</b>  | <u>191,486</u>    | <u>191,486</u>    | <u>142,684</u>    | <u>48,802</u>                             |
| <b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b> | <u>(28,647)</u>   | <u>(28,647)</u>   | <u>39,328</u>     | <u>67,975</u>                             |
| <b>Net Change in Fund Balance</b>   | <u>(28,647)</u>   | <u>(28,647)</u>   | <u>39,328</u>     | <u>67,975</u>                             |
| <b>Fund Balance at Beginning of Period</b>  | 236,900           | 236,900           | 236,900           | --  |
| <b>Fund Balance at End of Period</b>  | <u>\$ 208,253</u> | <u>\$ 208,253</u> | <u>\$ 276,228</u> | <u>\$ 67,975</u>                          |

**Township of Blue Lake**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Fire**  
**For the Year Ended June 30, 2013**

|   | <b>Budgeted Amounts</b> |                   | <b>Actual</b>     | <b>Variance</b>                |
|---|-------------------------|-------------------|-------------------|--------------------------------|
|   | <b>Original</b>         | <b>Final</b>      |                   | <b>Positive<br/>(Negative)</b> |
|   |                         |                   |                   | <b>Final to Actual</b>         |
| <b>Revenues</b>   |                         |                   |                   |                                |
| Taxes   | \$ 106,992              | \$ 106,942        | \$ 107,604        | \$ 662                         |
| Grant Revenue   | --                      | --                | 10,000            | 10,000                         |
| Interest & Rents  | 500                     | 500               | 557               | 57                             |
| Other   | --                      | --                | 607               | 607                            |
| <b>Total Revenues</b>   | <b>107,492</b>          | <b>107,442</b>    | <b>118,768</b>    | <b>11,326</b>                  |
| <b>Other Financing Sources</b>  |                         |                   |                   |                                |
| <b>Total Revenues and Other Financing Sources</b>   | <b>107,492</b>          | <b>107,442</b>    | <b>118,768</b>    | <b>11,326</b>                  |
| <b>Expenditures</b>   |                         |                   |                   |                                |
| Public Safety   | 76,975                  | 76,975            | 64,215            | 12,760                         |
| Capital Outlay  | 20,000                  | 20,000            | 10,000            | 10,000                         |
| <b>Total Expenditures</b>   | <b>96,975</b>           | <b>96,975</b>     | <b>74,215</b>     | <b>22,760</b>                  |
| <b>Other Financing Uses</b>   |                         |                   |                   |                                |
| <b>Total Expenditures and Other Financing Uses</b>  | <b>96,975</b>           | <b>96,975</b>     | <b>74,215</b>     | <b>22,760</b>                  |
| <b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b> | <b>10,517</b>           | <b>10,467</b>     | <b>44,553</b>     | <b>34,086</b>                  |
| <b>Net Change in Fund Balance</b>   | <b>10,517</b>           | <b>10,467</b>     | <b>44,553</b>     | <b>34,086</b>                  |
| <b>Fund Balance at Beginning of Period</b>  | <b>163,717</b>          | <b>163,717</b>    | <b>163,717</b>    | <b>--</b>                      |
| <b>Fund Balance at End of Period</b>  | <b>\$ 174,234</b>       | <b>\$ 174,184</b> | <b>\$ 208,270</b> | <b>\$ 34,086</b>               |

**Township of Blue Lake**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Highway Improvement**  
**For the Year Ended June 30, 2013**

|   | <u>Budgeted Amounts</u> |                  | <u>Actual</u>     | <b>Variance</b>                                    |
|---|-------------------------|------------------|-------------------|--|
|   | <u>Original</u>         | <u>Final</u>     |                   | <b>Positive<br/>(Negative)<br/>Final to Actual</b> |
| <b>Revenues</b>   |                         |                  |                   |  |
| Taxes   | \$ 127,730              | \$ 127,730       | \$ 129,135        | \$ 1,405   |
| State Revenue Sharing   | 600                     | 600              | 2,182             | 1,582  |
| Interest & Rents  | 50                      | 50               | 273               | 223  |
| <b>Total Revenues</b>   | <u>128,380</u>          | <u>128,380</u>   | <u>131,590</u>    | <u>3,210</u>                                       |
| <b>Other Financing Sources</b>  |                         |                  |                   |  |
| <i>Total Revenues and Other Financing Sources</i>   | <u>128,380</u>          | <u>128,380</u>   | <u>131,590</u>    | <u>3,210</u>                                       |
| <b>Expenditures</b>   |                         |                  |                   |  |
| Capital Outlay  | <u>210,150</u>          | <u>285,150</u>   | <u>248,292</u>    | <u>36,858</u>                                      |
| <b>Total Expenditures</b>   | <u>210,150</u>          | <u>285,150</u>   | <u>248,292</u>    | <u>36,858</u>                                      |
| <b>Other Financing Uses</b>   |                         |                  |                   |  |
| <i>Total Expenditures and Other Financing Uses</i>  | <u>210,150</u>          | <u>285,150</u>   | <u>248,292</u>    | <u>36,858</u>                                      |
| <b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b> | <u>(81,770)</u>         | <u>(156,770)</u> | <u>(116,702)</u>  | <u>40,068</u>                                      |
| <b>Net Change in Fund Balance</b>   | <u>(81,770)</u>         | <u>(156,770)</u> | <u>(116,702)</u>  | <u>40,068</u>                                      |
| <i>Fund Balance at Beginning of Period</i>  | 233,450                 | 233,450          | 233,450           | --   |
| <b>Fund Balance at End of Period</b>  | <u>\$ 151,680</u>       | <u>\$ 76,680</u> | <u>\$ 116,748</u> | <u>\$ 40,068</u>                                   |



**Township of Blue Lake**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Improvement Revolving**  
**For the Year Ended June 30, 2013**

|   | <u>Budgeted Amounts</u> |                  | <u>Actual</u>    | <u>Variance</u>                                    |
|---|-------------------------|------------------|------------------|--|
|   | <u>Original</u>         | <u>Final</u>     |                  | <u>Positive<br/>(Negative)<br/>Final to Actual</u> |
| <b>Revenues</b>   |                         |                  |                  |  |
| Interest & Rents  | \$ 8,100                | \$ 8,100         | \$ 9,692         | \$ 1,592   |
| <i>Total Revenues</i>   | <u>8,100</u>            | <u>8,100</u>     | <u>9,692</u>     | <u>1,592</u>                                       |
| <b>Other Financing Sources</b>  |                         |                  |                  |  |
| <i>Total Revenues and Other<br/>Financing Sources</i>   | <u>8,100</u>            | <u>8,100</u>     | <u>9,692</u>     | <u>1,592</u>                                       |
| <b>Expenditures</b>   |                         |                  |                  |  |
| Capital Outlay  | 50,000                  | 64,000           | 63,015           | 985  |
| <i>Total Expenditures</i>   | <u>50,000</u>           | <u>64,000</u>    | <u>63,015</u>    | <u>985</u>   |
| <b>Other Financing Uses</b>   |                         |                  |                  |  |
| <i>Total Expenditures and Other<br/>Financing Uses</i>  | <u>50,000</u>           | <u>64,000</u>    | <u>63,015</u>    | <u>985</u>   |
| <i>Excess (Deficiency) of Revenues and<br/>Other Sources Over Expenditures<br/>and Other Uses</i> | <u>(41,900)</u>         | <u>(55,900)</u>  | <u>(53,323)</u>  | <u>2,577</u>                                       |
| <i>Net Change in Fund Balance</i>   | <u>(41,900)</u>         | <u>(55,900)</u>  | <u>(53,323)</u>  | <u>2,577</u>                                       |
| <i>Fund Balance at Beginning of Period</i>  | 73,162                  | 73,162           | 73,162           | --   |
| <i>Fund Balance at End of Period</i>  | <u>\$ 31,262</u>        | <u>\$ 17,262</u> | <u>\$ 19,839</u> | <u>\$ 2,577</u>                                    |

## **SUPPLEMENTAL INFORMATION**

**Township of Blue Lake**  
**2012 Property Tax Levy and Collections Schedule**  
**For the Year Ended June 30, 2013**

|                              | <u>Millage Rate</u> | <u>Adjusted Levy</u> | <u>Collected</u>    |
|------------------------------|---------------------|----------------------|---------------------|
| County                       | 5.4562              | \$ 580,491           | \$ 580,491          |
| County Transit               | 0.2500              | 26,593               | 26,593              |
| Commission on Aging          | 0.4988              | 53,192               | 53,192              |
| County Library               | 0.2500              | 26,593               | 26,593              |
| Sportsplex                   | 0.9800              | 75,532               | 75,532              |
| Hospital                     | 1.6000              | 170,223              | 170,223             |
| Animal Control / Recycle     | 0.2500              | 26,593               | 26,593              |
| Kallis Operational           | 0.2500              | 26,593               | 26,593              |
| State Education              | 6.0000              | 557,863              | 557,863             |
| School District              | 19.7500             | 1,745,961            | 1,745,961           |
| Intermediate School District | 2.9312              | 311,850              | 311,850             |
| Township                     |                     |                      |                     |
| General                      | 0.8123              | 86,416               | 86,416              |
| Trash Pickup                 | 0.3000              | 31,914               | 31,914              |
| Fire Operations              | 1.0000              | 106,389              | 106,389             |
| Highway Improvement          | 1.2000              | 127,666              | 127,666             |
| Total                        |                     | <u>\$ 3,953,869</u>  | <u>\$ 3,953,869</u> |

December 13, 2013

To the Township Board  
Township of Blue Lake, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the remaining fund information of the Township of Blue Lake for the year ended June 30, 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 July 22, 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 Blue 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 June 30, 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 Blue 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 December 13, 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.

### *Other Matters*

With respect to the supplementary information accompanying the financial statements, 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.

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*

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*

December 13, 2013

To the Township Board  
Township of Blue 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, each major fund, and the remaining fund information of Township of Blue Lake, Michigan, (the "Township") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Township's basic financial statements, and have issued our report thereon dated December 13, 2013.

**Internal Control over Financial Reporting**

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

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 a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **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.

Best regards,

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

Gabridge & Company, PLC  
Grand Rapids, MI