



**VILLAGE OF BEAR LAKE, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED FEBRUARY 28, 2019**

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## INDEPENDENT AUDITOR'S REPORT

To Village Council  
Village of Bear Lake, Michigan

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Bear Lake, Michigan (the "Village") as of and for the year ended February 28, 2019, 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, and each major fund of the Village, as of February 28, 2019, 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2019 on our consideration of the Village'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 solely 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 the effectiveness of the Village's 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 the Village's internal control over financial reporting and compliance.



Gabridge & Company, PLC  
Grand Rapids, Michigan  
August 30, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Village of Bear Lake**  
**Management's Discussion and Analysis**  
**February 28, 2019**

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, 2019. 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 \$2,847,975 (net position). Of this amount, \$202,198 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 \$80,346, an increase of \$6,038 in comparison with the prior year. The entire fund balance 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 \$80,346, or approximately 61.5% 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., depreciation expense recognized on capital assets).

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 and streets. The business-type activities of the Village include water services as well as recreational and cultural activities.

**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 four 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, major streets fund, local streets fund, and SAW grant fund; which are considered to be major funds.

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 funds (the major streets fund and the local streets fund) have been provided to demonstrate compliance with these budgets.

**Proprietary Funds.** The Village maintains one type of proprietary fund, 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.

**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.

**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.

### 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 \$2,847,975 at the close of the most recent fiscal year.

#### Village of Bear Lake's Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
<b>ASSETS</b>						
<i>Current Assets</i>						
Cash and Investments	\$ 121,701	\$ 116,113	\$ 147,120	\$ 113,545	\$ 268,821	\$ 229,658
Due from State	16,344	10,542	104,059	-	120,403	10,542
Accounts Receivable	-	-	4,346	3,230	4,346	3,230
<b>Total Current Assets</b>	<b>138,045</b>	<b>126,655</b>	<b>255,525</b>	<b>116,775</b>	<b>393,570</b>	<b>243,430</b>
<i>Noncurrent Assets</i>						
Capital Assets not being Depreciated	122,571	122,571	3,032,406	42,654	3,154,977	165,225
Capital Assets being Depreciated	58,844	52,129	848,816	885,280	907,660	937,409
<b>Total Assets</b>	<b>319,460</b>	<b>301,355</b>	<b>4,136,747</b>	<b>1,044,709</b>	<b>4,456,207</b>	<b>1,346,064</b>
<b>LIABILITIES</b>						
<i>Current Liabilities</i>						
Accounts Payable	2,563	1,737	112,265	1,629	114,828	3,366
Payroll Liabilities	4,670	10,375	2,715	1,147	7,385	11,522
Current Portion of Long-term Debt	-	-	25,000	10,000	25,000	10,000
Interest Payable	-	-	9,069	623	9,069	623
Unearned Revenue	-	-	13,950	12,950	13,950	12,950
Internal Balances	4,326	(832)	(4,326)	832	-	-
<b>Total Current Liabilities</b>	<b>11,559</b>	<b>11,280</b>	<b>158,673</b>	<b>27,181</b>	<b>170,232</b>	<b>38,461</b>
<i>Noncurrent Liabilities</i>						
Long-term Debt	-	-	1,438,000	20,000	1,438,000	20,000
<b>Total Liabilities</b>	<b>11,559</b>	<b>11,280</b>	<b>1,596,673</b>	<b>47,181</b>	<b>1,608,232</b>	<b>58,461</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	181,415	174,700	2,418,222	897,934	2,599,637	1,072,634
Restricted	46,140	41,067	-	-	46,140	41,067
Unrestricted	80,346	74,308	121,852	99,594	202,198	173,902
<b>Total Net Position</b>	<b>\$ 307,901</b>	<b>\$ 290,075</b>	<b>\$ 2,540,074</b>	<b>\$ 997,528</b>	<b>\$ 2,847,975</b>	<b>\$ 1,287,603</b>

A large portion of the Village's net position (\$2,599,637, or 91.3%) 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 (\$46,140, or 1.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$202,198, or 7.1%, is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

The Village had a net increase of \$2,960,003 in capital assets due to \$2,989,752 of construction in progress related to an ongoing water system improvement project. Correspondingly, accounts payable increased by \$111,462 in relation to the construction payments owing as of year-end. The Village also issued long-term debt in the amount of \$1,463,000 in order to fund the construction, causing a significant increase in long-term debt.

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 increased \$1,560,372 from the prior fiscal year. The reasons for this overall increase 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 increased \$17,826 from the prior fiscal year for an ending balance of \$307,901. The increase in the overall net position of governmental activities is related to an increase of operating grants by \$179,539 as the Village received a SAW grant during the year in addition to increased corresponding expenses within public works.

**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 \$1,542,546 resulting in an ending balance of \$2,540,074. The significant increase is due to USDA capital grant revenue of \$1,560,059 during the year used for financing the costs associated with the water system improvement project.

## Village of Bear Lake's Changes in Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2019	2018	2019	2018	2019	2018
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 17,446	\$ 30,029	\$ 166,149	\$ 146,626	\$ 183,595	\$ 176,655
Operating Grants and Contributions	217,188	37,649	-	-	217,188	37,649
Capital Grants and Contributions	4,833	7,690	1,560,059	-	1,564,892	7,690
<b>Total Program Revenues</b>	<b>239,467</b>	<b>75,368</b>	<b>1,726,208</b>	<b>146,626</b>	<b>1,965,675</b>	<b>221,994</b>
<b>General Revenues</b>						
Property Taxes	64,953	65,241	-	-	64,953	65,241
State Revenue Sharing	26,512	23,379	-	-	26,512	23,379
Interest Income	83	57	347	242	430	299
Other	28,380	11,792	5,017	2,286	33,397	14,078
<b>Total General Revenues</b>	<b>119,928</b>	<b>100,469</b>	<b>5,364</b>	<b>2,528</b>	<b>125,292</b>	<b>88,919</b>
<b>Total Revenues</b>	<b>359,395</b>	<b>175,837</b>	<b>1,731,572</b>	<b>149,154</b>	<b>2,090,967</b>	<b>324,991</b>
<b>Expenses</b>						
General Government	106,272	90,599	-	-	106,272	90,599
Legislative	9,255	13,894	-	-	9,255	13,894
Public Works	226,042	53,716	189,026	98,882	415,068	152,598
<b>Total Expenses</b>	<b>341,569</b>	<b>158,209</b>	<b>189,026</b>	<b>98,882</b>	<b>530,595</b>	<b>257,091</b>
Increase/(Decrease) in Net Position	17,826	17,628	1,542,546	50,272	1,560,372	67,900
<i>Beginning Net Position</i>	290,075	272,447	997,528	947,256	1,287,603	1,219,703
<b>Ending Net Position</b>	<b>\$ 307,901</b>	<b>\$ 290,075</b>	<b>\$ 2,540,074</b>	<b>\$ 997,528</b>	<b>\$ 2,847,975</b>	<b>\$ 1,287,603</b>

## 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 and total fund balance of the general fund was \$80,346. 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 and total fund balance represent approximately 61.5 percent of total general fund expenditures.

The fund balance of the Village's general fund increased by \$6,038 during the current fiscal year, which put the overall fund balance at \$80,346. The primary reason for increase was due to a decrease in capital outlay expenditures.

The major streets fund, a major fund, had a \$2,897 increase in fund balance during the current fiscal year, which put the overall fund balance at \$34,648. The primary reason for the increase was not having any transfers out during the year.

The local streets fund, a major fund, had a \$2,171 increase in fund balance during the current fiscal year, which put the overall fund balance at \$11,487. The primary reason for the increase was due to increased grant revenue.

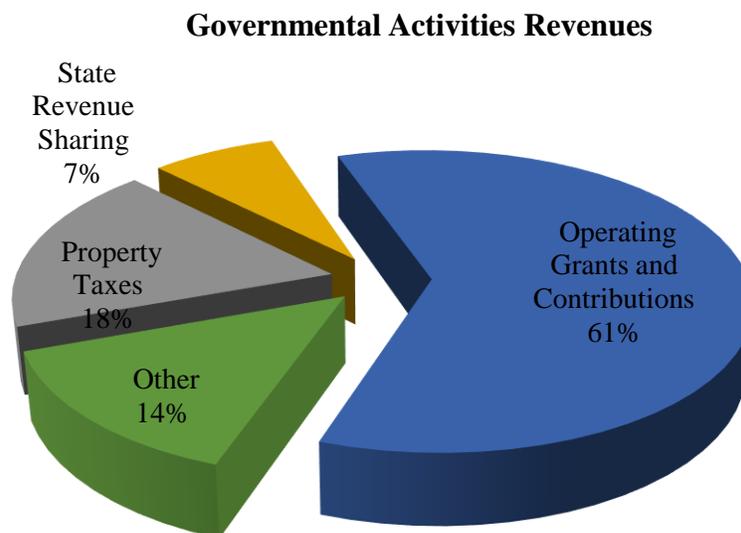
The SAW grant fund, a new major fund, had a \$5 increase in fund balance during the current fiscal year, which put the overall fund balance at \$5. The fund accounts for the SAW grant that was received during the year.

**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 \$121,852. The increase in net position was \$1,542,546. The main reason for the significant increase in net position was due to increased grant revenue of \$1,560,059, within the water fund.

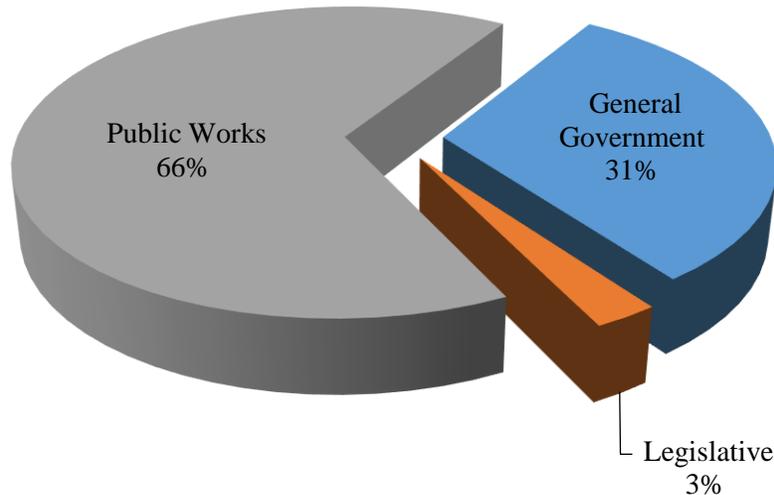
### Governmental Activities

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.

### Governmental Activities Expenses



### General Fund Budgetary Highlights

*Original budget compared to final budget.* During the year there were no significant amendments to increase either the original estimated revenues or original budgeted appropriations.

*Final budget compared to actual results.* The Village had the following expenditures in excess of the amount appropriated during the year ended February 28, 2019:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General</b>			
Public Works	\$ 3,545	\$ 8,414	\$ (4,869)
Capital Outlay	1,000	15,198	(14,198)

### 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, 2019 amounted to \$1,059,980 (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 less than one percent.

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total Primary Government</b>
Land	\$ 122,571	\$ -	\$ 122,571
Construction in Progress	-	3,032,406	3,032,406
Land and Improvements	20,750	409,034	429,784
Machinery and Equipment	87,591	9,157	96,748
Water System	-	862,223	862,223
Vehicles	92,107	-	92,107
Subtotal	<u>323,019</u>	<u>4,312,820</u>	<u>4,635,839</u>
Accumulated Depreciation	<u>141,604</u>	<u>431,598</u>	<u>573,202</u>
Capital Assets, Net	<u>\$ 181,415</u>	<u>\$ 3,881,222</u>	<u>\$ 4,062,637</u>

More detailed information about the Villages' capital assets can be found in the footnotes section of this document.

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

The Village received bond proceeds to finance the water system project in the amount of \$1,463,000 during the 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 \$130,000 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 2019. 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 2020, 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, 2019**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and Investments	\$ 121,701	\$ 147,120	\$ 268,821
Due from Other Governments	16,344	104,059	120,403
Accounts Receivable	--	4,346	4,346
<b>Total Current Assets</b>	<u>138,045</u>	<u>255,525</u>	<u>393,570</u>
<i>Noncurrent Assets</i>			
Capital Assets not being Depreciated	122,571	3,032,406	3,154,977
Capital Assets being Depreciated	58,844	848,816	907,660
<b>Total Assets</b>	<u>319,460</u>	<u>4,136,747</u>	<u>4,456,207</u>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	2,563	112,265	114,828
Payroll Liabilities	4,670	2,715	7,385
Unearned Revenue	--	13,950	13,950
Current Portion of Long-term Debt	--	25,000	25,000
Interest Payable	--	9,069	9,069
Internal Balances	4,326	(4,326)	--
<b>Total Current Liabilities</b>	<u>11,559</u>	<u>158,673</u>	<u>170,232</u>
<i>Noncurrent Liabilities</i>			
Long-term Debt	--	1,438,000	1,438,000
<b>Total Liabilities</b>	<u>11,559</u>	<u>1,596,673</u>	<u>1,608,232</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	181,415	2,418,222	2,599,637
<i>Restricted for:</i>			
Major and Local Streets	46,135	--	46,135
SAW Grant	5	--	5
<i>Unrestricted</i>	80,346	121,852	202,198
<b>Total Net Position</b>	<u>\$ 307,901</u>	<u>\$ 2,540,074</u>	<u>\$ 2,847,975</u>

The Notes to the Financial Statement are integral part of these financial statements

**Village of Bear Lake  
Statement of Activities  
For the Year Ended February 28, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
General Government	\$ 106,272	\$ 17,446	\$ 2,279	\$ --	\$ (86,547)	\$ --	\$ (86,547)
Public Works	226,042	--	214,909	4,833	(6,300)	--	(6,300)
Legislative	9,255	--	--	--	(9,255)	--	(9,255)
<i>Total Governmental Activities</i>	<u>341,569</u>	<u>17,446</u>	<u>217,188</u>	<u>4,833</u>	<u>(102,102)</u>	<u>--</u>	<u>(102,102)</u>
<b>Business-type Activities:</b>							
Park Fund	49,454	51,730	--	--	--	2,276	2,276
Water Fund	139,572	114,419	--	1,560,059	--	1,534,906	1,534,906
<i>Total Business-type Activities</i>	<u>189,026</u>	<u>166,149</u>	<u>--</u>	<u>1,560,059</u>	<u>--</u>	<u>1,537,182</u>	<u>1,537,182</u>
<b>Total</b>	<u>\$ 530,595</u>	<u>\$ 183,595</u>	<u>\$ 217,188</u>	<u>\$ 1,564,892</u>	<u>\$ (102,102)</u>	<u>\$ 1,537,182</u>	<u>\$ 1,435,080</u>

**General Purpose Revenues:**

**Revenues**

Property Taxes	64,953	--	64,953
State Revenue Sharing	26,512	--	26,512
Interest Income	83	347	430
Other Revenues	28,380	5,017	33,397
<i>Total General Revenues</i>	<u>119,928</u>	<u>5,364</u>	<u>125,292</u>
<i>Change in Net Position</i>	<u>17,826</u>	<u>1,542,546</u>	<u>1,560,372</u>
<i>Net Position at Beginning of Period (Restated, Note 9)</i>	290,075	997,528	1,287,603
<i>Net Position at End of Period</i>	<u>\$ 307,901</u>	<u>\$ 2,540,074</u>	<u>\$ 2,847,975</u>

The Notes to the Financial Statement are integral part of these financial statements

**Village of Bear Lake  
Balance Sheet  
Governmental Funds  
February 28, 2019**

	<u>Special Revenue</u>			<u>Capital Projects</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>SAW Grant</u>	
<b>ASSETS</b>					
Cash and Investments	\$ 81,802	\$ 30,155	\$ 9,739	\$ 5	\$ 121,701
Due from Other Governments	8,991	5,049	2,304	--	16,344
Due from Other Funds	950	--	--	--	950
<i>Total Assets</i>	<b><u>\$ 91,743</u></b>	<b><u>\$ 35,204</u></b>	<b><u>\$ 12,043</u></b>	<b><u>\$ 5</u></b>	<b><u>\$ 138,995</u></b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 1,819	\$ 372	\$ 372	\$ --	\$ 2,563
Payroll Liabilities	4,420	125	125	--	4,670
Due to Other Funds	5,158	59	59	--	5,276
<i>Total Liabilities</i>	<u>11,397</u>	<u>556</u>	<u>556</u>	<u>--</u>	<u>12,509</u>
<b>FUND BALANCE</b>					
Restricted	--	34,648	11,487	5	46,140
Unassigned	80,346	--	--	--	80,346
<i>Total Fund Balance</i>	<u>80,346</u>	<u>34,648</u>	<u>11,487</u>	<u>5</u>	<u>126,486</u>
<i>Total Liabilities and Fund Balance</i>	<b><u>\$ 91,743</u></b>	<b><u>\$ 35,204</u></b>	<b><u>\$ 12,043</u></b>	<b><u>\$ 5</u></b>	<b><u>\$ 138,995</u></b>

The Notes to the Financial Statement are integral part of these financial statements

**Village of Bear Lake**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**February 28, 2019**

Total Fund Balance - Governmental Funds	\$	126,486
General government capital assets of \$323,019, net of accumulated depreciation of \$141,604 are not financial resources and accordingly, are not reported in the funds.		181,415
<b>Total Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>307,901</u></b>

The Notes to the Financial Statement are 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, 2019**

	<u>Special Revenue</u>			<u>Capital Projects</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>SAW Grant</u>	
<b>Revenues</b>					
Property Taxes	\$ 64,953	\$ --	\$ --	\$ --	\$ 64,953
State Revenue Sharing	28,791	27,465	12,543	157,411	226,210
Charges for Services	444	--	--	--	444
Rents and Royalties	17,002	--	--	--	17,002
Other Revenues	25,448	49	2,878	17,495	45,870
Grant Revenue	--	--	4,833	--	4,833
Interest Income	56	21	6	--	83
<b><i>Total Revenues</i></b>	<b><u>136,694</u></b>	<b><u>27,535</u></b>	<b><u>20,260</u></b>	<b><u>174,906</u></b>	<b><u>359,395</u></b>
<b>Expenditures</b>					
General Government	97,789	--	--	--	97,789
Legislative	9,255	--	--	--	9,255
Public Works	8,414	24,638	18,089	174,901	226,042
Capital Outlay	15,198	--	--	--	15,198
<b><i>Total Expenditures</i></b>	<b><u>130,656</u></b>	<b><u>24,638</u></b>	<b><u>18,089</u></b>	<b><u>174,901</u></b>	<b><u>348,284</u></b>
<b><i>Excess of Revenues Over (Under) Expenditures</i></b>	<b><u>6,038</u></b>	<b><u>2,897</u></b>	<b><u>2,171</u></b>	<b><u>5</u></b>	<b><u>11,111</u></b>
<b><i>Net Change in Fund Balance</i></b>	<b><u>6,038</u></b>	<b><u>2,897</u></b>	<b><u>2,171</u></b>	<b><u>5</u></b>	<b><u>11,111</u></b>
<i>Fund Balance at Beginning of Period</i>	74,308	31,751	9,316	--	115,375
<b><i>Fund Balance at End of Period</i></b>	<b><u>\$ 80,346</u></b>	<b><u>\$ 34,648</u></b>	<b><u>\$ 11,487</u></b>	<b><u>\$ 5</u></b>	<b><u>\$ 126,486</u></b>

The Notes to the Financial Statement are 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, 2019**

Total Net Change in Fund Balances - Governmental Funds	\$	11,111
<p>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 capital outlay of \$15,198 in excess of current depreciation expense of \$8,483.</p>		
		6,715
<b>Changes in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>17,826</u></b>

The Notes to the Financial Statement are integral part of these financial statements

**Village of Bear Lake  
Statement of Net Position  
Proprietary Funds  
February 28, 2019**

	<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 and Investments	\$ 59,015	\$ 88,105	\$ 147,120
Due from Other Governments	--	104,059	104,059
Accounts Receivable	--	4,346	4,346
Due from Other Funds	--	5,158	5,158
<b>Total Current Assets</b>	<b>59,015</b>	<b>201,668</b>	<b>260,683</b>
<i>Noncurrent Assets</i>			
Capital Assets not being Depreciated	--	3,032,406	3,032,406
Capital Assets being Depreciated	5,096	843,720	848,816
<b>Total Assets</b>	<b>64,111</b>	<b>4,077,794</b>	<b>4,141,905</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	371	111,894	112,265
Payroll Liabilities	460	2,255	2,715
Unearned Revenue	13,950	--	13,950
Current Portion of Long-term Debt	--	25,000	25,000
Interest Payable	--	9,069	9,069
Due to Other Funds	832	--	832
<b>Total Current Liabilities</b>	<b>15,613</b>	<b>148,218</b>	<b>163,831</b>
<i>Noncurrent Liabilities</i>			
Long-term Debt	--	1,438,000	1,438,000
<b>Total Liabilities</b>	<b>15,613</b>	<b>1,586,218</b>	<b>1,601,831</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	5,096	2,413,126	2,418,222
<i>Unrestricted</i>	43,402	78,450	121,852
<b>Total Net Position</b>	<b>\$ 48,498</b>	<b>\$ 2,491,576</b>	<b>\$ 2,540,074</b>

The Notes to the Financial Statement are 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, 2019**

**Business-type Activities - Enterprise Funds**

	<b>Park Fund</b>	<b>Water Fund</b>	<b>Total Enterprise Funds</b>
<b>Operating Revenues</b>			
Charges for Services	\$ 51,730	\$ 114,419	\$ 166,149
Other Revenues	800	4,217	5,017
<b>Total Operating Revenues</b>	<b>52,530</b>	<b>118,636</b>	<b>171,166</b>
<b>Operating Expenses</b>			
Wages and Fringes	15,991	19,011	35,002
Operating Expenses	20,120	36,105	56,225
Repairs and Maintenance	7,400	8,058	15,458
Contracted Services	1,008	9,411	10,419
Utilities	1,361	13,835	15,196
Insurance	1,598	1,905	3,503
Depreciation	1,976	34,488	36,464
<b>Total Operating Expenses</b>	<b>49,454</b>	<b>122,813</b>	<b>172,267</b>
<b>Operating Income (Loss)</b>	<b>3,076</b>	<b>(4,177)</b>	<b>(1,101)</b>
<b>Non-Operating Revenues (Expenses)</b>			
Grant Revenue	--	1,560,059	1,560,059
Interest Income	211	136	347
Interest Expense	--	(16,759)	(16,759)
<b>Net Non-Operating Revenues (Expenses)</b>	<b>211</b>	<b>1,543,436</b>	<b>1,543,647</b>
<b>Income Before Contributions and Transfers</b>	<b>3,287</b>	<b>1,539,259</b>	<b>1,542,546</b>
Transfers In	--	3,378	3,378
Transfers Out	(3,378)	--	(3,378)
<b>Change In Net Position</b>	<b>(91)</b>	<b>1,542,637</b>	<b>1,542,546</b>
<i>Net Position at Beginning of Period (Restated, Note 9)</i>	48,589	948,939	997,528
<b>Net Position at End of Period</b>	<b>\$ 48,498</b>	<b>\$ 2,491,576</b>	<b>\$ 2,540,074</b>

The Notes to the Financial Statement are integral part of these financial statements

**Village of Bear Lake  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended February 28, 2019**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Park Fund</b>	<b>Water Fund</b>	<b>Total Enterprise Funds</b>
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$ 53,530	\$ 117,520	\$ 171,050
Cash Payments to Employees and Fringe Benefits	(15,651)	(17,783)	(33,434)
Cash Payments to Suppliers for Goods and Services	(31,116)	(63,108)	(94,224)
<b>Net Cash Provided by Operating Activities</b>	<b>6,763</b>	<b>36,629</b>	<b>43,392</b>
<b>Cash Flows From Non-capital and Related Financing Activities</b>			
Change in Interfund Balances	-	(5,158)	(5,158)
Transfers In (Out)	(3,378)	3,378	-
<b>Net Cash Used by Non-capital and Related Financing Activities</b>	<b>(3,378)</b>	<b>(1,780)</b>	<b>(5,158)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Interest Paid	-	(8,313)	(8,313)
Grant Revenue	-	1,560,059	1,560,059
Capital Asset Purchases	-	(2,989,752)	(2,989,752)
Bond Issuance	-	1,463,000	1,463,000
Principal Payments on Bonds	-	(30,000)	(30,000)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>-</b>	<b>(5,006)</b>	<b>(5,006)</b>
<b>Cash Flows from Investing Activities</b>			
Interest on Investments	211	136	347
<b>Net Cash Provided by from Investing Activities</b>	<b>211</b>	<b>136</b>	<b>347</b>
Net Increase in Cash and Equivalents	3,596	29,979	33,575
<i>Cash and Equivalents - Beginning of Year (Restated, Note 12)</i>	55,419	58,126	113,545
<b>Cash and Equivalents - End of Year</b>	<b>\$ 59,015</b>	<b>\$ 88,105</b>	<b>\$ 147,120</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>			
<b>Operating Income (Loss)</b>	\$ 3,076	\$ (4,177)	\$ (1,101)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	1,976	34,488	36,464
<b>Changes in Assets and Liabilities</b>			
Accounts Payable	371	6,206	6,577
Payroll Liabilities	340	1,228	1,568
Accounts Receivable	-	(1,116)	(1,116)
Unearned Revenue	1,000	-	1,000
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 6,763</b>	<b>\$ 36,629</b>	<b>\$ 43,392</b>

The Notes to the Financial Statement are 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 seven-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.

#### **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

## Village of Bear Lake

### Notes to the Financial Statements

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

The ***SAW grant fund*** accounts for the financial resources used and received from the SAW grant.

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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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 President 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, 2019. Expenditures may not exceed appropriations. Any amendment to the original budget must meet the requirements of Public Act 621.

#### **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.

## Village of Bear Lake

### Notes to the Financial Statements

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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.

#### ***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 acquisition value at the date of donation. The

## Village of Bear Lake

### Notes to the Financial Statements

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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:

	<u>Years</u>
Land and Improvements	10 - 40
Machinery and Equipment	5 - 7
Vehicles	10
Water System	35

#### ***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.

#### ***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

## Village of Bear Lake

### Notes to the Financial Statements

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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 prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) 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 may 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 July 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 September 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.

#### ***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.

## Village of Bear Lake

### Notes to the Financial Statements

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#### 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.

The Village incurred the following expenditures in excess of the amount appropriated for the year ended February 28, 2019:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>General</b>			
Public Works	\$ 3,545	\$ 8,414	\$ (4,869)
Capital Outlay	1,000	15,198	(14,198)
<b>Local Streets</b>			
Public Works	16,204	18,089	(1,885)

#### Note 3 - Cash and Investments

Following is a reconciliation of deposit balances as of February 28, 2019:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Cash	\$ 121,701	\$ 147,120	\$ 268,821

**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, none of the Village's bank balance of \$268,460 was exposed to custodial credit risk.

**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 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.

**Village of Bear Lake**

Notes to the Financial Statements

**Note 4 - Capital Assets**

Capital asset activity for governmental activities for the year ended February 28, 2019 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 122,571	\$ -	\$ -	\$ 122,571
Capital Assets being Depreciated:				
Land and Improvements	20,750	-	-	20,750
Machinery and Equipment	72,393	15,198	-	87,591
Vehicles	92,107	-	-	92,107
Total Capital Assets being Depreciated	185,250	15,198	-	200,448
Less Accumulated Depreciation:				
Land and Improvements	3,169	692	-	3,861
Machinery and Equipment	72,394	253	-	72,647
Vehicles	57,558	7,538	-	65,096
Total Accumulated Depreciation	133,121	8,483	-	141,604
Capital Assets being Depreciated, Net	52,129	6,715	-	58,844
Capital Assets, Net	\$ 174,700	\$ 6,715	\$ -	\$ 181,415

The total depreciation expense of \$8,483 has been charged to the general government function.

**Village of Bear Lake**

Notes to the Financial Statements

Capital asset activity for business-type activities for the year ended February 28, 2019 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not being Depreciated				
Construction in Progress	\$ 42,654	\$ 2,989,752	\$ -	\$ 3,032,406
Capital Assets being Depreciated:				
Land and Improvements	409,034	-	-	409,034
Machinery and Equipment	9,157	-	-	9,157
Water System	862,223	-	-	862,223
Total Capital Assets being Depreciated	1,280,414	-	-	1,280,414
Less Accumulated Depreciation:				
Land and Improvements	234,811	11,079	-	245,890
Machinery and Equipment	8,407	750	-	9,157
Water System	151,916	24,635	-	176,551
Total Accumulated Depreciation	395,134	36,464	-	431,598
Capital Assets being Depreciated, Net	885,280	(36,464)	-	848,816
Capital Assets, Net	\$ 927,934	\$ 2,953,288	\$ -	\$ 3,881,222

The depreciation expense of \$36,464 has been charged to the water fund and park fund, \$34,488 and \$1,976, respectively.

**Note 5 - Interfund Balances & Interfund Transfers**

Interfund balances are 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. The following interfund balances existed between the funds of the Village for the current year:

Due From	Due To	Amount
General Fund	Water Fund	\$ 5,158
Park Fund	General Fund	832
Nonmajor Governmental Funds	General Fund	118

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 payments become due; and 3) use unrestricted revenues collected to finance various programs accounted for

**Village of Bear Lake**

Notes to the Financial Statements

in other funds in accordance with budgetary authorizations. The following were interfund transfers during the year:

Transfer In	Transfer Out	Amount
Water Fund	Park Fund	\$ 3,378

**Note 6 - 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 7 - Long-term Debt**

The following is a summary of long-term debt activity that occurred during the year ended February 28, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Water Supply System Revenue Bonds, Series 2018	\$ -	\$ 1,463,000	\$ -	\$ 1,463,000	\$ 25,000
Bond Payable - Water System Improvements	30,000	-	(30,000)	-	-
<b>Total Business-type Activities Long-term Debt</b>	<b>\$ 30,000</b>	<b>\$ 1,463,000</b>	<b>\$ (30,000)</b>	<b>\$ 1,463,000</b>	<b>\$ 25,000</b>

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 forty year amortization with an interest rate of 4.15%. The loan was paid off in full during the year ended February 28, 2019.

In May of 2018, the Village Council approved a loan for water supply system improvements. The first payment is due in May of 2019. The loan is scheduled for a forty year amortization with an interest rate of 1.875% per annum.

**Village of Bear Lake**

Notes to the Financial Statements

The following is the amortization of Village’s total long-term debt:

	<b>Business-type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 25,000	\$ 27,195	\$ 52,195
2021	25,000	26,800	51,800
2022	26,000	26,248	52,248
2023	26,000	25,760	51,760
2024	27,000	25,264	52,264
2025-2029	141,000	118,667	259,667
2030-2034	156,000	104,641	260,641
2035-2039	171,000	89,332	260,332
2040-2044	187,000	72,581	259,581
2045-2049	206,000	54,194	260,194
2050-2054	225,000	33,984	258,984
2055-2059	248,000	11,778	259,778
<b>Totals</b>	<b>\$ 1,463,000</b>	<b>\$ 616,444</b>	<b>\$ 2,079,444</b>

**Note 8 - 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 August 30, 2019.

**Note 9 - Prior Period Restatement**

In the prior year, expenses related to business-type activities were expensed rather than capitalized. The correction of this misclassification resulted in an increase in capital assets and equity for the water fund and business-type activities.

The following table shows the changes described above and includes the adjustment of net position indicated above:

	<b>Water Fund</b>	<b>Business-type Activities</b>
Net Position - February 28, 2018 - As previously reported	\$ 906,285	\$ 954,874
Capitalization of prior year reimbursed expenses	42,654	42,654
Net position - February 28, 2018 - As restated	\$ 948,939	\$ 997,528

**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, 2019**

	<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>				
Property Taxes	\$ 65,000	\$ 65,000	\$ 64,953	\$ (47)
State Revenue Sharing	23,000	23,000	28,791	5,791
Charges for Services	600	600	444	(156)
Rents and Royalties	14,300	14,300	17,002	2,702
Interest Income	20	20	56	36
Other Income	2,650	20,110	25,448	5,338
<b><i>Total Revenues</i></b>	<u>105,570</u>	<u>123,030</u>	<u>136,694</u>	<u>13,664</u>
<b>Expenditures</b>				
Legislative	12,300	12,300	9,255	3,045
General Government	84,465	106,608	97,789	8,819
Public Works	7,865	3,545	8,414	(4,869)
Capital Outlay	1,000	1,000	15,198	(14,198)
<b><i>Total Expenditures</i></b>	<u>105,630</u>	<u>123,453</u>	<u>130,656</u>	<u>(7,203)</u>
<b><i>Excess (Deficiency) of Revenues Over Expenditures</i></b>	<u>(60)</u>	<u>(423)</u>	<u>6,038</u>	<u>6,461</u>
<b><i>Net Change in Fund Balance</i></b>	<u>(60)</u>	<u>(423)</u>	<u>6,038</u>	<u>6,461</u>
<b><i>Fund Balance at Beginning of Period</i></b>	<u>74,308</u>	<u>74,308</u>	<u>74,308</u>	<u>--</u>
<b><i>Fund Balance at End of Period</i></b>	<u>\$ 74,248</u>	<u>\$ 73,885</u>	<u>\$ 80,346</u>	<u>\$ 6,461</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, 2019**

	<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	\$ 28,000	\$ 28,000	\$ 27,465	\$ (535)
Interest Income	20	20	21	1
Other Income	--	--	49	49
<b>Total Revenues</b>	<u>28,020</u>	<u>28,020</u>	<u>27,535</u>	<u>(485)</u>
<b>Expenditures</b>				
Public Works	28,000	28,000	24,638	3,362
<b>Total Expenditures</b>	<u>28,000</u>	<u>28,000</u>	<u>24,638</u>	<u>3,362</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<u>20</u>	<u>20</u>	<u>2,897</u>	<u>2,877</u>
<b>Net Change in Fund Balance</b>	<u>20</u>	<u>20</u>	<u>2,897</u>	<u>2,877</u>
<b>Fund Balance at Beginning of Period</b>	<u>31,751</u>	<u>31,751</u>	<u>31,751</u>	<u>--</u>
<b>Fund Balance at End of Period</b>	<u>\$ 31,771</u>	<u>\$ 31,771</u>	<u>\$ 34,648</u>	<u>\$ 2,877</u>

**Village of Bear Lake**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Local Streets**  
**For the Year Ended February 28, 2019**

	<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	\$ 13,000	\$ 13,000	\$ 12,543	\$ (457)
Interest Income	10	10	6	(4)
Other Income	--	2,819	2,878	59
Grant Revenue	--	2,417	4,833	2,416
<b>Total Revenues</b>	<u>13,010</u>	<u>18,246</u>	<u>20,260</u>	<u>2,014</u>
<b>Expenditures</b>				
Public Works	13,000	16,204	18,089	(1,885)
<b>Total Expenditures</b>	<u>13,000</u>	<u>16,204</u>	<u>18,089</u>	<u>(1,885)</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	10	2,042	2,171	129
<b>Net Change in Fund Balance</b>	<u>10</u>	<u>2,042</u>	<u>2,171</u>	<u>129</u>
<i>Fund Balance at Beginning of Period</i>	9,316	9,316	9,316	--
<b>Fund Balance at End of Period</b>	<u>\$ 9,326</u>	<u>\$ 11,358</u>	<u>\$ 11,487</u>	<u>\$ 129</u>



**VILLAGE OF BEAR LAKE, MICHIGAN  
SINGLE AUDIT ACT COMPLIANCE  
YEAR ENDED FEBRUARY 28, 2019**

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**INDEPENDENT AUDITOR'S REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

To Village Council  
Village of Bear Lake, Michigan

We have audited the financial statements of the governmental activities, business-type activities, and each major fund of the Village of Bear Lake (the "Village") as of and for the year ended February 28, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements. We issued our report thereon dated August 30, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Gabridge & Company, PLC  
Grand Rapids, MI  
August 30, 2019

**Village of Bear Lake**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended February 28, 2019**

<u>Federal Agency / Cluster / Program Title</u>	<u>CFDA Number</u>	<u>Passed Through</u>	<u>Pass-through / Grantor Number</u>	<u>Total Subawards</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>					
Water and Waste Disposal Systems for Rural Communities:					
Water System Improvement Project	10.760	Direct		\$ -	\$ 2,989,345
<b>Total U.S. Department of Agriculture</b>				<u>-</u>	<u>2,989,345</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ -</u>	<u>\$ 2,989,345</u>

See notes to the schedule of expenditures of federal awards

## Village of Bear Lake

### Notes to the Schedule of Expenditures of Federal Awards

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#### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Village of Bear Lake (the "Village") under programs of the federal government for the year ended February 28, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Village, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Village.

#### Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the Village's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

For purposes of charging indirect costs to federal awards, the Village has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

#### Note 3 - Adjustments to the Schedule of Expenditures of Federal Awards

A reconciliation of the amounts presented in the Schedule to the amounts presented in the financial statements is as follows:

Federal Revenue Reported in the Financial Statements	
Water Fund	\$ 1,526,345
Capital Purchases Financed with USDA Bond Proceeds	
Water Fund	<u>1,463,000</u>
<i>Total Expenditures of Federal Awards</i>	<u>\$ 2,989,345</u>

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 Village Council  
Village of 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 and each major fund of the Village of Bear Lake (the "Village"), as of and for the year ended February 28, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated August 30, 2019.

### **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.

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 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*.

### **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".

Gabridge & Company, PLC  
Grand Rapids, MI  
August 30, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE

To Village Council  
Village of Bear Lake, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited the Village of Bear Lake's (the "Village") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Village's major federal programs for the year ended February 28, 2019. The Village's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Village's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Village's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Village complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended February 28, 2019.

### **Report on Internal Control Over Compliance**

Management of the Village is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Village's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Gabridge & Company*

Gabridge & Company, PLC  
Grand Rapids, MI  
August 30, 2019

**Village of Bear Lake  
Schedule of Findings and Questioned Costs  
For the Year Ended February 28, 2019**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued	Unmodified
Internal controls over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516? No

Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Water and Waste Disposal Systems for Rural Communities	10.760
Dollar threshold used to distinguish between Type A and B programs?	\$750,000
Auditee qualified as a low-risk auditee?	No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS**

No findings or questioned costs in the prior year.

August 30, 2019

To the Village Council  
Village of Bear Lake, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Bear Lake (the "Village") for the year ended February 28, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted 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 March 14, 2017. 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 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 year ended February 28, 2019. We noted no transactions entered into by 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 affecting the Village of Bear Lake's financial statements was:

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of depreciable capital assets in determining that it is 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.

### *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 August 30, 2019.

### *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 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 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.

*Restriction on Use*

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

Very truly yours,

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

Gabridge & Company, PLC  
Grand Rapids, MI