



**VILLAGE OF BEAR LAKE, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED FEBRUARY 29, 2020**

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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, each major fund, and the aggregate remaining fund information of the Village of Bear Lake, Michigan (the "Village") as of and for the year ended February 29, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village, as of February 29, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The combining and individual fund financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2020 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.

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

Gabridge & Company, PLC
Grand Rapids, Michigan
July 17, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Village of Bear Lake
Management's Discussion and Analysis
February 29, 2020

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 29, 2020. 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 \$3,394,460 (net position). Of this amount, \$195,261 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- Total revenues during the year were \$1,063,060 while total expenses were \$516,757 leading to an increase in net position of \$546,485. Non-recurring capital grants, primarily for the Village's water project, of \$535,950 were the single largest driver of the overall increase in net position.
- At the close of the current fiscal year, the Village's governmental funds reported fund balance of \$159,719, an increase of \$33,233 in comparison with the prior year. Of the total fund balance, \$81,162 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 \$81,162, or approximately 72.4 % of total general fund expenditures and transfers out.

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 five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and SAW grant fund; which are considered to be major funds. The remaining funds are aggregated in the other governmental funds column of the basic financial statements and are presented separately in the other supplemental information section of this report.

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

Proprietary Funds. The Village maintains one type of proprietary fund, known as 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 schedule. The nonmajor governmental fund statements can be found immediately following the budgetary comparison schedule.

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 \$3,394,460 at the close of the most recent fiscal year.

Village of Bear Lake's Net Position

	Governmental Activities		Business-type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
ASSETS						
<i>Current Assets</i>						
Cash and Investments	\$ 224,268	\$ 121,701	\$ 166,346	\$ 147,120	\$ 390,614	\$ 268,821
Due from Other Governments	63,126	16,344	32,092	104,059	95,218	120,403
Accounts Receivable	15	-	5,021	4,346	5,036	4,346
Total Current Assets	287,409	138,045	203,459	255,525	490,868	393,570
<i>Noncurrent Assets</i>						
Capital Assets not being Depreciated	122,571	122,571	3,516,602	3,032,406	3,639,173	3,154,977
Capital Assets being Depreciated	119,879	58,844	814,458	848,816	934,337	907,660
Restricted Cash	-	-	40,885	-	40,885	-
Total Assets	529,859	319,460	4,575,404	4,136,747	5,105,263	4,456,207
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	92,560	2,563	91,909	112,265	184,469	114,828
Payroll Liabilities	5,931	4,670	2,282	2,715	8,213	7,385
Current Portion of Long-term Debt	-	-	32,000	25,000	32,000	25,000
Interest Payable	-	-	10,466	9,069	10,466	9,069
Unearned Revenue	16,180	-	20,675	13,950	36,855	13,950
Internal Balances	13,019	4,326	(13,019)	(4,326)	-	-
Total Current Liabilities	127,690	11,559	144,313	158,673	272,003	170,232
<i>Noncurrent Liabilities</i>						
Long-term Debt	-	-	1,438,800	1,438,000	1,438,800	1,438,000
Total Liabilities	127,690	11,559	1,583,113	1,596,673	1,710,803	1,608,232
NET POSITION						
Net Investment in Capital Assets	242,450	181,415	2,860,260	2,418,222	3,102,710	2,599,637
Restricted	55,604	46,140	40,885	-	96,489	46,140
Unrestricted	104,115	80,346	91,146	121,852	195,261	202,198
Total Net Position	\$ 402,169	\$ 307,901	\$ 2,992,291	\$ 2,540,074	\$ 3,394,460	\$ 2,847,975

A large portion of the Village's net position (\$3,102,710, or 91.4%) 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 (\$96,489, or 2.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$195,261, or 5.8%, 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 \$510,873 in capital assets due primarily to construction in progress related to an ongoing water system improvement project. Cash and investments increased by \$121,793 during the year because of the overall increase in accounts payable (\$69,641 primarily related to a \$87,527 payable for the Village's SAW grant project) and the increase in unearned revenue (\$16,180 of grant proceeds advanced to the Village for a sidewalk project schedule to commence during FYE 2021).

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 \$546,485 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 \$94,268 from the prior fiscal year for an ending balance of \$402,169. The increase in the overall net position of governmental activities is largely related to a one-time donation of a building valued at \$74,000.

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 \$452,217 resulting in an ending balance of \$2,992,291. The significant increase is due to USDA capital grant revenue of \$461,950 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	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues						
Charges for Services	\$ 46,272	\$ 45,826	\$ 175,152	\$ 171,166	\$ 221,424	\$ 216,992
Operating Grants and Contributions	207,598	217,188	-	-	207,598	217,188
Capital Grants and Contributions	74,000	4,833	461,950	1,560,059	535,950	1,564,892
Total Program Revenues	<u>327,870</u>	<u>267,847</u>	<u>637,102</u>	<u>1,731,225</u>	<u>964,972</u>	<u>1,999,072</u>
General Revenues						
Property Taxes	68,357	64,953	-	-	68,357	64,953
State Revenue Sharing	28,701	26,512	-	-	28,701	26,512
Interest Income	665	83	365	347	1,030	430
Transfers	(12,868)	-	12,868	-	-	-
Total General Revenues	<u>84,855</u>	<u>91,548</u>	<u>13,233</u>	<u>347</u>	<u>98,088</u>	<u>91,895</u>
Total Revenues	<u>412,725</u>	<u>359,395</u>	<u>650,335</u>	<u>1,731,572</u>	<u>1,063,060</u>	<u>2,090,967</u>
Expenses						
General Government	90,611	106,272	-	-	90,611	106,272
Legislative	10,945	9,255	-	-	10,945	9,255
Public Works	216,901	226,042	198,118	189,026	415,019	415,068
Total Expenses	<u>318,457</u>	<u>341,569</u>	<u>198,118</u>	<u>189,026</u>	<u>516,575</u>	<u>530,595</u>
Increase/(Decrease) in Net Position	94,268	17,826	452,217	1,542,546	546,485	1,560,372
<i>Beginning Net Position</i>	<u>307,901</u>	<u>290,075</u>	<u>2,540,074</u>	<u>997,528</u>	<u>2,847,975</u>	<u>1,287,603</u>
Ending Net Position	<u>\$ 402,169</u>	<u>\$ 307,901</u>	<u>\$ 2,992,291</u>	<u>\$ 2,540,074</u>	<u>\$ 3,394,460</u>	<u>\$ 2,847,975</u>

Financial Analysis of Governmental Funds

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

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

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unassigned and total fund balance of the general fund was \$81,162. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures and transfers out. Unassigned fund balance represent approximately 72.4% of total general fund expenditures and transfers out.

The fund balance of the Village's general fund increased by \$10,588 during the current fiscal year, which put the overall fund balance at \$81,162. The overall increase in fund balance is consistent with recent years.

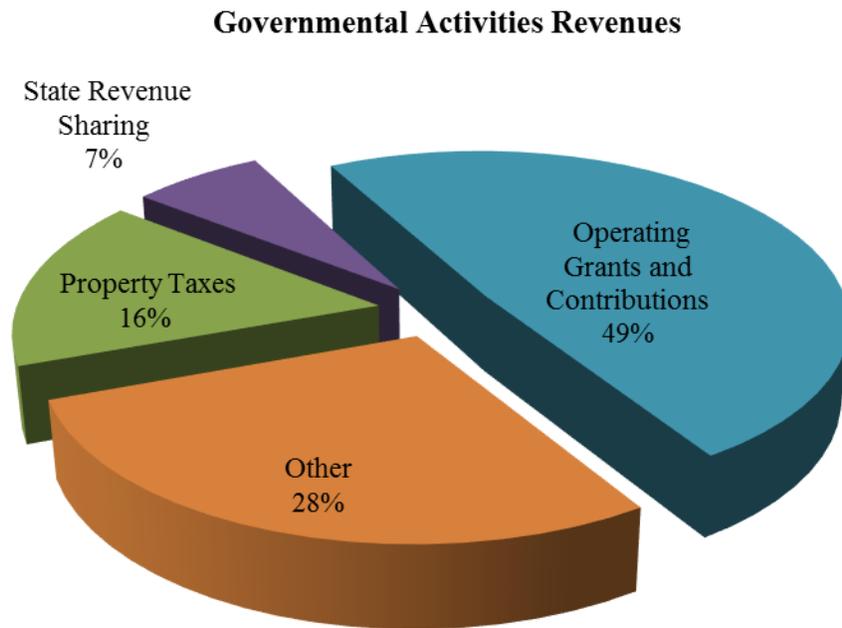
The SAW grant fund, also a fund, had a \$5 increase in fund balance during the current fiscal year, which put the overall fund balance at \$10. The fund accounts for the SAW grant that was received during the year along with the corresponding project costs.

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 \$59,054. The increase in net position was \$452,217. The main reason for the significant increase in net position was due to the capital grant revenue of \$461,950 for the water project.

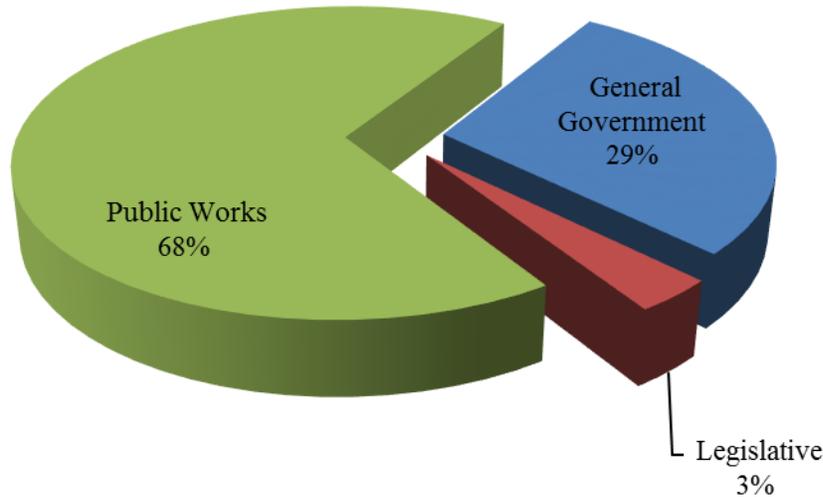
Governmental Activities

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 expenditure in excess of the amount appropriated during the year ended February 29, 2020:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Public Works	\$ 5,610	\$ 8,163	\$ (2,553)

Capital Assets and Debt Administration

Capital Assets

The Village's investment in capital assets for its governmental and business-type activities as of February 29, 2020 amounted to \$4,573,510 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, and water infrastructure. The total increase in capital assets for the current fiscal year was \$510,873, or 12.6%.

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

Long-term Debt

The Village had outstanding bonds payable of \$1,470,800 as of year-end. 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 \$104,505 of revenues to be available for appropriation in the general fund in the upcoming fiscal year. 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 2021, the Village plans again to use current revenues to provide essential services and to maintain the Village's financial reserves at similar levels. Property tax revenues are expected to change minimally reflecting fairly stable property values. Additionally, management and the Village Council are currently working to determine the significance that the COVID-19 Pandemic will have on the Village's upcoming revenues and expenditures.

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 29, 2020**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 224,268	\$ 166,346	\$ 390,614
Due from Other Governments	63,126	32,092	95,218
Accounts Receivable	15	5,021	5,036
Total Current Assets	287,409	203,459	490,868
<i>Noncurrent Assets</i>			
Capital Assets not being Depreciated	122,571	3,516,602	3,639,173
Capital Assets being Depreciated	119,879	814,458	934,337
Restricted Cash	--	40,885	40,885
Total Assets	529,859	4,575,404	5,105,263
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	92,560	91,909	184,469
Payroll Liabilities	5,931	2,282	8,213
Unearned Revenue	16,180	20,675	36,855
Current Portion of Long-term Debt	--	32,000	32,000
Interest Payable	--	10,466	10,466
Internal Balances	13,019	(13,019)	--
Total Current Liabilities	127,690	144,313	272,003
<i>Noncurrent Liabilities</i>			
Long-term Debt	--	1,438,800	1,438,800
Total Liabilities	127,690	1,583,113	1,710,803
NET POSITION			
Net Investment in Capital Assets	242,450	2,860,260	3,102,710
<i>Restricted for:</i>			
Major and Local Streets	55,594	--	55,594
SAW Grant	10	--	10
Debt Service	--	40,885	40,885
<i>Unrestricted</i>	104,115	91,146	195,261
Total Net Position	\$ 402,169	\$ 2,992,291	\$ 3,394,460

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

**Village of Bear Lake
Statement of Activities
For the Year Ended February 29, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 90,611	\$ 46,272	\$ --	\$ 74,000	\$ 29,661	\$ --	\$ 29,661
Public Works	216,901	--	207,598	--	(9,303)	--	(9,303)
Legislative	10,945	--	--	--	(10,945)	--	(10,945)
<i>Total Governmental Activities</i>	<u>318,457</u>	<u>46,272</u>	<u>207,598</u>	<u>74,000</u>	<u>9,413</u>	<u>--</u>	<u>9,413</u>
Business-type Activities:							
Park Fund	61,958	52,685	--	--	--	(9,273)	(9,273)
Water Fund	136,160	122,467	--	461,950	--	448,257	448,257
<i>Total Business-type Activities</i>	<u>198,118</u>	<u>175,152</u>	<u>--</u>	<u>461,950</u>	<u>--</u>	<u>438,984</u>	<u>438,984</u>
Total	<u>\$ 516,575</u>	<u>\$ 221,424</u>	<u>\$ 207,598</u>	<u>\$ 535,950</u>	<u>\$ 9,413</u>	<u>\$ 438,984</u>	<u>\$ 448,397</u>
General Purpose Revenues and Transfers:							
Revenues							
Property Taxes					68,357	--	68,357
Intergovernmental					28,701	--	28,701
Interest Income					665	365	1,030
Transfers					(12,868)	12,868	--
<i>Total General Revenues and Transfers</i>					<u>84,855</u>	<u>13,233</u>	<u>98,088</u>
<i>Change in Net Position</i>					94,268	452,217	546,485
<i>Net Position at Beginning of Period</i>					307,901	2,540,074	2,847,975
<i>Net Position at End of Period</i>					<u>\$ 402,169</u>	<u>\$ 2,992,291</u>	<u>\$ 3,394,460</u>

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

**Village of Bear Lake
Balance Sheet
Governmental Funds
February 29, 2020**

	<u>General</u>	<u>Capital Projects SAW Grant</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Investments	\$ 110,616	\$ 42,169	\$ 71,483	\$ 224,268
Due from Other Governments	9,411	45,353	8,362	63,126
Accounts Receivable	--	15	--	15
Due from Other Funds	118	--	--	118
Total Assets	\$ 120,145	\$ 87,537	\$ 79,845	\$ 287,527
LIABILITIES				
Accounts Payable	\$ 4,103	\$ 87,527	\$ 930	\$ 92,560
Payroll Liabilities	5,681	--	250	5,931
Unearned Revenue	16,180	--	--	16,180
Due to Other Funds	13,019	--	118	13,137
Total Liabilities	38,983	87,527	1,298	127,808
FUND BALANCE				
Restricted	--	10	55,594	55,604
Assigned	--	--	22,953	22,953
Unassigned	81,162	--	--	81,162
Total Fund Balance	81,162	10	78,547	159,719
Total Liabilities and Fund Balance	\$ 120,145	\$ 87,537	\$ 79,845	\$ 287,527

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

Village of Bear Lake
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
February 29, 2020

Total Fund Balance - Governmental Funds	\$	159,719
General government capital assets of \$397,019, net of accumulated depreciation of \$154,569, are not financial resources and, accordingly, are not reported in the funds.		242,450
Total Net Position - Governmental Activities	\$	<u>402,169</u>

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

Village of Bear Lake
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended February 29, 2020

	<u>General</u>	<u>Capital Projects</u> SAW Grant	<u>Other</u> Governmental Funds	<u>Total</u> Governmental Funds
Revenues				
Property Taxes	\$ 68,357	\$ --	\$ --	\$ 68,357
Intergovernmental	28,701	155,190	44,891	228,782
Licenses & Permits	25	--	--	25
Charges for Services	575	--	--	575
Rents & Royalties	4,210	--	14,181	18,391
Other Revenues	21,281	7,517	6,000	34,798
Interest Income	626	--	39	665
Total Revenues	<u>123,775</u>	<u>162,707</u>	<u>65,111</u>	<u>351,593</u>
Expenditures				
General Government	81,211	--	7,012	88,223
Legislative	10,945	--	--	10,945
Public Works	8,163	162,702	35,459	206,324
Total Expenditures	<u>100,319</u>	<u>162,702</u>	<u>42,471</u>	<u>305,492</u>
Excess of Revenues Over (Under) Expenditures	<u>23,456</u>	<u>5</u>	<u>22,640</u>	<u>46,101</u>
Other Financing Sources (Uses)				
Transfers Out	(12,868)	--	--	(12,868)
Net Other Financing Sources (Uses)	<u>(12,868)</u>	<u>--</u>	<u>--</u>	<u>(12,868)</u>
Net Change in Fund Balance	10,588	5	22,640	33,233
<i>Fund Balance at Beginning of Period</i>	70,574	5	55,907	126,486
Fund Balance at End of Period	<u>\$ 81,162</u>	<u>\$ 10</u>	<u>\$ 78,547</u>	<u>\$ 159,719</u>

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

Village of Bear Lake
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended February 29, 2020

Total Net Change in Fund Balances - Governmental Funds	\$	33,233
<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 a donated building of \$74,000 less the current year's depreciation expense of \$12,965.</p>		
		61,035
Changes in Net Position - Governmental Activities	\$	<u>94,268</u>

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

**Village of Bear Lake
Statement of Net Position
Proprietary Funds
February 29, 2020**

	Business-type Activities - Enterprise Funds		
	Park Fund	Water Fund	Total Enterprise Funds
ASSETS			
<i>Current Assets</i>			
Cash and Investments	\$ 43,106	\$ 123,240	\$ 166,346
Due from Other Governments	--	32,092	32,092
Accounts Receivable	--	5,021	5,021
Due from Other Funds	3,861	9,158	13,019
Total Current Assets	46,967	169,511	216,478
<i>Noncurrent Assets</i>			
Capital Assets not being Depreciated	--	3,516,602	3,516,602
Capital Assets being Depreciated	1,226	813,232	814,458
Restricted Cash	--	40,885	40,885
Total Assets	48,193	4,540,230	4,588,423
LIABILITIES			
<i>Current Liabilities</i>			
Accounts Payable	465	91,444	91,909
Payroll Liabilities	432	1,850	2,282
Unearned Revenue	20,675	--	20,675
Current Portion of Long-term Debt	--	32,000	32,000
Interest Payable	--	10,466	10,466
Total Current Liabilities	21,572	135,760	157,332
<i>Noncurrent Liabilities</i>			
Long-term Debt	--	1,438,800	1,438,800
Total Liabilities	21,572	1,574,560	1,596,132
NET POSITION			
Net Investment in Capital Assets	1,226	2,859,034	2,860,260
<i>Restricted for:</i>			
Debt Service	--	40,885	40,885
<i>Unrestricted</i>	25,395	65,751	91,146
Total Net Position	\$ 26,621	\$ 2,965,670	\$ 2,992,291

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

Village of Bear Lake
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended February 29, 2020

	Business-type Activities - Enterprise Funds		
	Park Fund	Water Fund	Total Enterprise Funds
Operating Revenues			
Charges for Services	\$ 51,565	\$ 121,412	\$ 172,977
Other Revenues	1,120	1,055	2,175
<i>Total Operating Revenues</i>	52,685	122,467	175,152
Operating Expenses			
Wages & Fringes	17,411	29,036	46,447
Operating Expenses	16,920	10,437	27,357
Repairs & Maintenance	10,527	9,382	19,909
Contracted Services	13,747	7,275	21,022
Utilities	853	15,368	16,221
Insurance	1,274	1,581	2,855
Depreciation	1,226	34,488	35,714
<i>Total Operating Expenses</i>	61,958	107,567	169,525
<i>Operating Income (Loss)</i>	(9,273)	14,900	5,627
Non-Operating Revenues (Expenses)			
Grant Revenue	--	461,950	461,950
Interest Income	264	101	365
Interest Expense	--	(28,593)	(28,593)
<i>Net Non-Operating Revenues (Expenses)</i>	264	433,458	433,722
<i>Income Before Contributions and Transfers</i>	(9,009)	448,358	439,349
Transfers In	--	25,736	25,736
Transfers Out	(12,868)	--	(12,868)
<i>Change In Net Position</i>	(21,877)	474,094	452,217
<i>Net Position at Beginning of Period</i>	48,498	2,491,576	2,540,074
<i>Net Position at End of Period</i>	\$ 26,621	\$ 2,965,670	\$ 2,992,291

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

**Village of Bear Lake
Statement of Cash Flows
Proprietary Funds
For the Year Ended February 29, 2020**

Business-type Activities - Enterprise Funds

	Park Fund	Water Fund	Total Enterprise Funds
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 59,410	\$ 121,792	\$ 181,202
Cash Payments to Employees and Fringe Benefits	(17,439)	(29,441)	(46,880)
Cash Payments to Suppliers for Goods and Services	(43,227)	(64,493)	(107,720)
Net Cash Provided (Used) by Operating Activities	(1,256)	27,858	26,602
Cash Flows From Non-capital and Related Financing Activities			
Change in Interfund Balances	(4,693)	(4,000)	(8,693)
Transfers In (Out)	(12,868)	25,736	12,868
Net Cash Provided (Used) by Non-capital and Related Financing Activities	(17,561)	21,736	4,175
Cash Flows from Capital and Related Financing Activities			
Interest Paid	-	(27,196)	(27,196)
Grant Revenue	-	461,950	461,950
Collection of Balances Due from Other Governments	-	71,967	71,967
Sale of Capital Asset	2,644	-	2,644
Capital Asset Purchases	-	(488,196)	(488,196)
Bond Issuance	-	32,800	32,800
Principal Payments on Bonds	-	(25,000)	(25,000)
Net Cash Provided by Capital and Related Financing Activities	2,644	26,325	28,969
Cash Flows from Investing Activities			
Interest on Investments	264	101	365
Net Cash Provided by from Investing Activities	264	101	365
Net Increase in Cash and Equivalents	(15,909)	76,020	60,111
<i>Cash and Equivalents - Beginning of Year</i>	59,015	88,105	147,120
Cash and Equivalents - End of Year	\$ 43,106	\$ 164,125	\$ 207,231
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ (9,273)	\$ 14,900	\$ 5,627
Adjustments to Reconcile Operating Income to Net Cash			
Provided by Operating Activities			
Depreciation	1,226	34,488	35,714
Changes in Assets and Liabilities			
Accounts Payable	94	(20,450)	(20,356)
Payroll Liabilities	(28)	(405)	(433)
Accounts Receivable	-	(675)	(675)
Unearned Revenue	6,725	-	6,725
Net Cash Provided (Used) by Operating Activities	\$ (1,256)	\$ 27,858	\$ 26,602

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

NOTES TO THE FINANCIAL STATEMENTS

Village of Bear Lake

Notes to the Financial Statements

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. However, the Village does have one jointly governed organization, as follows:

Jointly Governed Organization

The Village of Bear Lake, along with Onekama Township, Pleasanton Township, and Bear Lake Township (the “Constituent Municipalities”) jointly govern the Two Lake Collaborative Sewer Authority (the “Authority”). The Authority was formed under the auspices of Act 233 of 1955, as amended, Municipal Sewage and Water Supply Systems, MCL 124.281 to plan, design, engineer, finance, construct, and operate a public sewage disposal system serving sewage districts within the Constituent Municipalities. The Authority’s governing body is comprised of one voting representative appointed by each Constituent Municipality.

The Authority is an independent legal entity organized under state statute and the Village of Bear Lake has no equity interest in the Authority. During the year ended February 29, 2020 the Village paid \$4,000 to the Authority for the Village’s pro-rata share of professional services.

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

Village of Bear Lake

Notes to the Financial Statements

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 the governmental and proprietary funds. 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 financial statements. 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 ***SAW grant fund*** accounts for the financial resources used and received from the SAW grant.

Village of Bear Lake

Notes to the Financial Statements

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.

Additionally, the government reports the following fund type:

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses 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 functional 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 29, 2020. Expenditures may not

Village of Bear Lake

Notes to the Financial Statements

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.

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."

Village of Bear Lake

Notes to the Financial Statements

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 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 - 40

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. For new bond issuances of governmental and business-type activities and all proprietary funds, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period that the bond was issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Village of Bear Lake

Notes to the Financial Statements

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 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

Village of Bear Lake

Notes to the Financial Statements

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

The 2019 taxable valuation of the Village totaled \$6,607,843, on which ad valorem taxes levied consisted of 10.3066 mills for Village operating purposes.

Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the Village.

Use of Estimates

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

Note 2 - Stewardship, Compliance and Accountability

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

Village of Bear Lake

Notes to the Financial Statements

The Village incurred the following expenditures in excess of the amount appropriated for the year ended February 29, 2020:

	Final Budget		Actual		Variance
General Fund					
Public Works	\$ 5,610	\$	8,163	\$	(2,553)

Note 3 - Cash and Investments

Following is a reconciliation of deposit balances as of February 29, 2020:

	Governmental Activities		Business-type Activities		Total
Cash and Investments	\$ 224,268	\$	166,346	\$	390,614
Restricted Cash	-		40,885		40,885
Total	\$ 224,269	\$	207,230	\$	431,499

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, \$149,225 of the Village's bank balance of \$432,814 was exposed to custodial credit risk as it was uninsured and uncollateralized.

Village of Bear Lake

Notes to the Financial Statements

Note 4 - Capital Assets

Capital asset activity for governmental activities for the year ended February 29, 2020 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Land	\$ 122,571	\$ -	\$ -	\$ 122,571
Capital Assets being Depreciated:				
Land and Improvements	20,750	74,000	-	94,750
Machinery and Equipment	87,591	-	-	87,591
Vehicles	92,107	-	-	92,107
Total Capital Assets being Depreciated	<u>200,448</u>	<u>74,000</u>	<u>-</u>	<u>274,448</u>
Less Accumulated Depreciation:				
Land and Improvements	3,861	2,387	-	6,248
Machinery and Equipment	72,647	3,040	-	75,687
Vehicles	65,096	7,538	-	72,634
Total Accumulated Depreciation	<u>141,604</u>	<u>12,965</u>	<u>-</u>	<u>154,569</u>
Capital Assets being Depreciated, Net	<u>58,844</u>	<u>61,035</u>	<u>-</u>	<u>119,879</u>
Capital Assets, Net	<u>\$ 181,415</u>	<u>\$ 61,035</u>	<u>\$ -</u>	<u>\$ 242,450</u>

Depreciation expense was allocated to the following functions within governmental activities:

Governmental Activities:	
General Government	\$ 2,388
Public Works	10,577
Total Governmental Activities	<u>\$ 12,965</u>

Village of Bear Lake

Notes to the Financial Statements

Capital asset activity for business-type activities for the year ended February 29, 2020 was as follows:

<u>Business-type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital Assets not being Depreciated				
Construction in Progress	\$ 3,032,406	\$ 484,196	\$ -	\$ 3,516,602
Capital Assets being Depreciated:				
Land and Improvements	409,034	4,000	2,645	410,389
Machinery and Equipment	9,157	-	-	9,157
Water System	862,223	-	-	862,223
Total Capital Assets being Depreciated	<u>1,280,414</u>	<u>4,000</u>	<u>2,645</u>	<u>1,281,769</u>
Less Accumulated Depreciation:				
Land and Improvements	245,889	11,079	-	256,968
Machinery and Equipment	9,157	-	-	9,157
Water System	176,551	24,635	-	201,186
Total Accumulated Depreciation	<u>431,598</u>	<u>35,714</u>	<u>-</u>	<u>467,311</u>
Capital Assets being Depreciated, Net	<u>848,816</u>	<u>452,482</u>	<u>2,645</u>	<u>814,458</u>
Capital Assets, Net	<u>\$ 3,881,222</u>	<u>\$ 936,678</u>	<u>\$ 2,645</u>	<u>\$ 4,331,060</u>

Depreciation expense was allocated to the following funds within business-type activities:

Business-type Activities:	
Water Fund	\$ 34,488
Park Fund	1,226
<i>Total Business-type Activities</i>	<u>\$ 35,714</u>

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:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
General Fund	Water Fund	\$ 9,158
General Fund	Water Fund	3,861
Nonmajor Governmental Funds	General Fund	118

Village of Bear Lake

Notes to the Financial Statements

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 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	\$ 12,868
Water Fund	General Fund	12,868

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 29, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Water Supply System Revenue Bonds, Series 2018	\$ 1,463,000	\$ -	\$ (25,000)	\$ 1,438,000	\$ 25,000
DPW Building Limited Tax Bond, Series 2020	-	32,800	-	32,800	7,000
Total Business-type Activities Long-term Debt	\$ 1,463,000	\$ 32,800	\$ (25,000)	\$ 1,470,800	\$ 32,000

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.

The Village received the initial \$32,800 of the General Obligation Limited Tax Bonds, Series 2020 (ultimately \$328,000 will be received by the Village as construction progresses) which were authorized by the Village Council on September 18, 2019 for the construction of a new department of public works building. Principal payments are due annually on January 1 through 2050 ranging from \$7,000 to \$16,000 with interest of 2.75% payable semiannually on the first of January and July.

Village of Bear Lake

Notes to the Financial Statements

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

	Business-type Activities		
	Principal	Interest	Total
2021	\$ 32,000	\$ 27,702	\$ 59,702
2022	33,000	26,958	59,958
2023	34,000	26,277	60,277
2024	35,000	25,561	60,561
2025	29,800	24,903	54,703
2026-2030	144,000	115,926	259,926
2031-2035	159,000	101,688	260,688
2036-2040	174,000	86,097	260,097
2041-2045	191,000	69,072	260,072
2046-2050	209,000	50,268	259,268
2051-2055	230,000	29,718	259,718
2056-2059	200,000	7,582	207,582
Totals	\$ 1,470,800	\$ 591,752	\$ 2,062,552

Note 8 - Restricted Cash

Restricted cash consisted of the following required and actual balances as of year-end:

	February 29, 2020	
	Required Balance	Actual Balance
<u>Water Fund</u>		
Bond Reserve Account		
2018 Issue, \$5,300 per year up to \$53,000	\$ 10,600	\$ 12,383
Repair & Replacement Accounts		
2018 Issue, \$17,133 per year less bond reserve	24,266	28,502
Totals	\$ 34,866	\$ 40,885

Note 9 - Subsequent Events

The Village may be affected by the recent and ongoing outbreak of the Coronavirus (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. COVID-19 has caused significant government and business disruptions through mandated and voluntary closings and stay at home orders. Management and the Village Council is in the process of determining if this outbreak will have a significant financial impact on the Village’s financial statements.

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 29, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable) Final to Actual
Revenues				
Property Taxes	\$ 66,584	\$ 68,000	\$ 68,357	\$ 357
State Revenue Sharing	25,000	32,200	28,701	(3,499)
Charges for Services	450	450	575	125
Rents & Royalties	4,500	4,025	4,235	210
Interest Income	30	30	626	596
Other Income	3,500	800	21,281	20,481
Total Revenues	<u>100,064</u>	<u>105,505</u>	<u>123,775</u>	<u>18,270</u>
Expenditures				
Legislative	12,300	12,300	10,945	1,355
General Government	83,915	86,571	81,211	5,360
Public Works	2,765	5,610	8,163	(2,553)
Total Expenditures	<u>98,980</u>	<u>104,481</u>	<u>100,319</u>	<u>4,162</u>
Other Financing Uses				
Transfers Out	--	1,733	12,868	(11,135)
Total Expenditures and Other Financing Uses	<u>98,980</u>	<u>106,214</u>	<u>113,187</u>	<u>(6,973)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	<u>1,084</u>	<u>(709)</u>	<u>10,588</u>	<u>11,297</u>
Net Change in Fund Balance	<u>1,084</u>	<u>(709)</u>	<u>10,588</u>	<u>11,297</u>
Fund Balance at Beginning of Period	<u>70,574</u>	<u>70,574</u>	<u>70,574</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 71,658</u>	<u>\$ 69,865</u>	<u>\$ 81,162</u>	<u>\$ 11,297</u>

Other Supplementary Information

**Village of Bear Lake
Combining Balance Sheet
Nonmajor Governmental Funds
February 29, 2020**

	<u>Special Revenue</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Equipment Replacement Fund</u>	
ASSETS				
Cash and Investments	\$ 46,014	\$ 2,516	\$ 22,953	\$ 71,483
Due from Other Governments	5,742	2,620	--	8,362
<i>Total Assets</i>	<u>\$ 51,756</u>	<u>\$ 5,136</u>	<u>\$ 22,953</u>	<u>\$ 79,845</u>
LIABILITIES				
Accounts Payable	\$ 465	\$ 465	\$ --	\$ 930
Payroll Liabilities	125	125	--	250
Due to Other Funds	59	59	--	118
<i>Total Liabilities</i>	<u>649</u>	<u>649</u>	<u>--</u>	<u>1,298</u>
FUND BALANCE				
Restricted	51,107	4,487	--	55,594
Assigned	--	--	22,953	22,953
Unassigned	--	--	--	--
<i>Total Fund Balance</i>	<u>51,107</u>	<u>4,487</u>	<u>22,953</u>	<u>78,547</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 51,756</u>	<u>\$ 5,136</u>	<u>\$ 22,953</u>	<u>\$ 79,845</u>

Village of Bear Lake
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended February 29, 2020

	<u>Special Revenue</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Equipment Replacement Fund</u>	
Revenues				
Intergovernmental	\$ 30,825	\$ 14,066	\$ --	\$ 44,891
Rents & Royalties	--	--	14,181	14,181
Other Revenues	--	--	6,000	6,000
Interest Income	23	4	12	39
Total Revenues	<u>30,848</u>	<u>14,070</u>	<u>20,193</u>	<u>65,111</u>
Expenditures				
General Government	--	--	7,012	7,012
Public Works	14,389	21,070	--	35,459
Total Expenditures	<u>14,389</u>	<u>21,070</u>	<u>7,012</u>	<u>42,471</u>
Excess of Revenues Over (Under) Expenditures	<u>16,459</u>	<u>(7,000)</u>	<u>13,181</u>	<u>22,640</u>
Net Change in Fund Balance	16,459	(7,000)	13,181	22,640
<i>Fund Balance at Beginning of Period</i>	34,648	11,487	9,772	55,907
Fund Balance at End of Period	<u>\$ 51,107</u>	<u>\$ 4,487</u>	<u>\$ 22,953</u>	<u>\$ 78,547</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, each major fund, and the aggregate remaining fund information of the Village of Bear Lake (the "Village"), as of and for the year ended February 29, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated July 17, 2020.

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
July 17, 2020

July 17, 2020

To the Village Council
Village of Bear Lake, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Bear Lake (the “Village”) for the year ended February 29, 2020. 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 April 1, 2020. 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 29, 2020. 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 July 17, 2020.

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.

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

appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Village Council and management of the Village 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