

**Village of Bear Lake
Bear Lake, Michigan**

Financial Statements

**For the Year Ended
February 28, 2022**



**VILLAGE OF BEAR LAKE
BEAR LAKE, MICHIGAN
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2022**

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INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Bear Lake
Bear Lake, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Bear Lake, as of and for the year ended February 28, 2022, and the related notes to the financial statements, which collectively comprise the Village of Bear Lake's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 of Bear Lake, as of February 28, 2022 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village of Bear Lake and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Village of Bear Lake's 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Bear Lake's ability to continue as a going concern for one year after the date that the financial statements are issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Audit Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error. As fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Village of Bear Lake's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village of Bear Lake's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note IV.D to the financial statements, the February 28, 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 stated in the table of contents, be presented to supplement 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 16, 2022 on our consideration of the Village of Bear Lake’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 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 of Bear Lake’s internal control over financial reporting and compliance.

H & S Companies, P.C.

H & S Companies, P.C.
Reed City, MI
August 16, 2022

DRAFT

**VILLAGE OF BEAR LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2022**

As management of the Village of Bear Lake, (the "Village") 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, 2022. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$3,767,615 (net position). Of this amount, \$192,246 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$182,931. Approximately 25% of this amount \$45,509 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of committed assigned and unassigned components of fund balance) for the general fund was \$45,509 or 22% of total general fund expenditures.
- The Village's total outstanding bond debt decreased \$37,202 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis 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 contains 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 information on all of the Village's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the 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.

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include general government, public works, community and economic developments, recreation and culture, and debt service. The Business-type activities of the Village include water service and parks and recreation.

**VILLAGE OF BEAR LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2022**

The government-wide financial statements can be found on pages 11-12 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental funds 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 *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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, Major Street Fund, Local Street Fund, Equipment Replacement Fund, and SAW Grant Fund, which are considered to be major funds.

The Village adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule for each of these funds has been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

Proprietary Funds. The Village maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its water and park activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water and park activity, both of which are considered to be major funds of the Village.

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to 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.

**VILLAGE OF BEAR LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2022**

Government-wide Overall Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$3,767,615 at the close of the most recent fiscal year.

	Statement of Net Position as of February 28,					
	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2022</u>	<u>2021</u> (as restated)	<u>2022</u>	<u>2021</u> (as restated)	<u>2022</u>	<u>2021</u> (as restated)
Assets						
Current assets	\$ 228,021	\$ 234,961	\$ 125,770	\$ 229,174	\$ 353,791	\$ 464,135
Non-current assets	633,109	663,081	4,581,658	4,732,054	5,214,767	5,395,135
Total assets	861,130	898,042	4,707,428	4,961,228	5,568,558	5,859,270
Liabilities						
Current liabilities	49,528	58,037	38,617	149,967	88,145	208,004
Long-term liabilities	351,798	359,798	1,361,000	1,387,000	1,712,798	1,746,798
Total liabilities	401,326	417,835	1,399,617	1,536,967	1,800,943	1,954,802
Net position						
Net investment in capital assets	273,311	292,081	3,194,658	3,319,054	3,467,969	3,611,135
Restricted	107,400	88,000	-	-	107,400	88,000
Unrestricted	79,093	100,126	113,153	105,207	192,246	205,333
Total net position	\$ 459,804	\$ 480,207	\$ 3,307,811	\$ 3,424,261	\$ 3,767,615	\$ 3,904,468

The largest portion of the Village's net position (\$3,467,969) reflects its investment in capital assets (e.g., land, buildings, equipment, 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 resources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Village's net position (\$107,400) represents resources that are subject to external restrictions on how they may be used. Of the remaining balance, \$192,246 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business – type activities. The same situation held true for the prior fiscal year.

The Village's overall net position decreased \$136,853 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business–type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities decreased \$20,403 from the prior fiscal year for an ending balance of \$459,804. The most significant part of the revenue for

**VILLAGE OF BEAR LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2022**

all governmental activities of the Village comes from operating grants and contributions and property taxes. The Village levied 10.1780 mills for operating purposes. The Village's governmental activities expenses are dominated by the general government and public works expenses. The Village spent \$121,677 in this fiscal year on general government and \$73,516 on public works.

Business-Type Activities. The Village's business-type activities accounted for a decrease of \$116,450 in the Village's net position for the fiscal year ended February 28, 2022.

The business-type activities of the Village includes the Water Fund, which provides water to the Village residents as well as commercial customers. The Village also reports the Park Fund, which provides campground services.

Changes in Net Position for the Fiscal Years Ended February 28,

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues						
Charges for Services	\$ 29,746	\$ 16,057	\$ 205,424	\$ 185,993	\$ 235,170	\$ 202,050
Grants and Contributions						
Operating	55,297	45,367	-	-	55,297	45,367
Capital	-	15,992	-	467,500	-	483,492
General Revenues						
Taxes	70,877	69,585	-	-	70,877	69,585
State Grants	32,804	28,971	-	-	32,804	28,971
Interest Earnings	47	495	63	135	110	630
Transfers	-	(13,338)	-	13,338	-	-
Other Revenues	5,850	23,928	104	5,826	5,954	29,754
Total Revenues	<u>194,621</u>	<u>187,057</u>	<u>205,591</u>	<u>672,792</u>	<u>400,212</u>	<u>859,849</u>
Expenses						
General Government	121,677	88,298	-	-	121,677	88,298
Public Works	73,516	34,778	-	-	73,516	34,778
Recreation and Culture	1,200	1,200	-	-	1,200	1,200
Community and Economic Development	8,106	1,009	-	-	8,106	1,009
Interest Expense	10,525	-	-	-	10,525	-
Water	-	-	263,481	145,072	263,481	145,072
Park	-	-	58,560	42,420	58,560	42,420
Total Expenses	<u>215,024</u>	<u>125,285</u>	<u>322,041</u>	<u>187,492</u>	<u>537,065</u>	<u>312,777</u>
Change in Net Position	<u>\$ (20,403)</u>	<u>\$ 61,772</u>	<u>\$ (116,450)</u>	<u>\$ 485,300</u>	<u>\$ (136,853)</u>	<u>\$ 547,072</u>

**VILLAGE OF BEAR LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2022**

Financial Analysis of Governmental Funds

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.

At the completion of the current fiscal year, the Village's governmental funds reported combined fund balances of \$182,931, a decrease of \$6,698 over the prior year. Approximately 25% of this amount (\$45,509) is available for spending at the government's discretion (unassigned fund balance). The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form, 2) legally required to be maintained intact, 3) restricted for particular purposes (\$107,400), 4) committed for particular purposes, or 5) assigned for particular purposes (\$30,022).

General Fund - The general fund is the chief operating fund of the Village. The General Fund decreased its fund balance in this fiscal year by \$28,247, bringing the balance to \$45,509. The primary reason for the decrease is due to the Village completing multiple projects during the fiscal year.

The Major Street Fund – The fund balance of the Major Streets Fund ended the year at \$94,841, all of which is restricted for street improvements. The Village increased their fund balance this year by \$25,506. The primary reason is due to the difficulty the Village had getting bids for repairs, therefore, no projects were able to be completed.

The Local Street Fund – The fund balance of the Local Streets Fund ended the year at \$12,559, all of which is restricted for street improvements. The Village increased their fund balance this year by \$3,639. The revenues received exceeded the repairs and maintenance on the local streets during the fiscal year.

The Equipment Replacement Fund – The fund balance of the Equipment Replacement Fund ended the year at \$30,022, all of which is assigned for future equipment purchases and repairs. The Village increased their fund balance this year by \$2,149. The equipment rent exceeded the expenditures during the fiscal year.

The SAW Grant Fund – The SAW Grant fund decreased its fund balance by \$9,745, bringing the fund balance to \$0. The SAW grant was closed out during the fiscal year.

Proprietary Funds. The Village's proprietary funds provided virtually the same information as the government-wide statements; however, more detail may be found in the fund financial statements.

Water Fund – The Water Fund ended this fiscal year with \$3,262,363 in net position. Of this amount, \$102,308 represents unrestricted net position. The net position of this fund decreased by \$118,481 during the fiscal year. The primary reason for the increase is depreciation from improvements to water system.

Park Fund – The Park Fund ended this fiscal year with \$45,448 in net position. Of this amount, \$10,845 represents unrestricted net position. The net position of this fund increased by \$2,031. The reason for the increase is due to more revenue received than expenses incurred.

**VILLAGE OF BEAR LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2022**

General Fund Budgetary Highlights

Original budget compared to final budget - During the year there were amendments to the budget expenditures. The most significant increases were related to building and grounds. The Council budgeted for a project that was completed in 2021, but was paid in 2022. In addition, the other revenues budget had a large increase due to the sale of a building owned by the Village.

	Original Budget	Final Budget	Actual
Total Revenues	\$ 103,856	\$ 173,618	\$ 180,228
Total Expenditures	\$ 115,960	\$ 173,823	\$ 208,475

Final budget compared to actual results – During the year ended February 28, 2022, actual expenditures exceeded appropriations by \$34,652. The most significant variance is due to the Village not budgeting for the cost of a new truck. The other significant variance is due to the building and grounds, where the Village budgeted for the 2021 projects.

Capital Assets

The Village's investment in capital assets as of February 28, 2022, amounted to \$5,214,767 (net of accumulated depreciation). This investment in capital assets includes land, buildings, park facilities, vehicles, equipment, and water system infrastructure. The total decrease in capital assets for the current fiscal year was \$180,368, or approximately 3%.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Land and Land Improvements	\$ 160,463	\$ 139,090	\$ 449,935	\$ 449,935	\$ 610,398	\$ 589,025
Buildings and Improvements	438,661	512,661	-	-	438,661	512,661
Machinery and Equipment	87,591	87,591	9,157	9,157	96,748	96,748
Vehicles	138,891	92,107	-	-	138,891	92,107
Water and Sewer Systems	-	-	4,777,076	4,777,076	4,777,076	4,777,076
Total Capital Assets At Cost	825,606	831,449	5,236,168	5,236,168	6,061,774	6,067,617
Less Accumulated Depreciation	192,497	168,368	654,510	504,114	847,007	672,482
Capital Assets, Net	\$ 633,109	\$ 663,081	\$ 4,581,658	\$ 4,732,054	\$ 5,214,767	\$ 5,395,135

Major capital asset additions for the year include:

- Sidewalk improvements in the amount of \$21,373
- Purchase of 2019 GMC Sierra in the amount of \$46,784

Further details on capital assets can be found in the notes to the financial statements section of this document.

**VILLAGE OF BEAR LAKE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2022**

Debt Administration

The Village of Bear Lake's outstanding debt as of February 28, 2022 was \$1,746,798.

	Governmental Activities	Business-Type Activities	Total
2018 Water Supply Revenue Bond	\$ -	\$ 1,387,000	\$ 1,387,000
2020 DPW Building Limited Tax Bond	314,000	-	314,000
Installment Loan	45,798	-	45,798
Total Debt	\$ 359,798	\$ 1,387,000	\$ 1,746,798

More information on the Village's long-term obligations are available in the Notes to the Financial Statements section of this document.

Economic Condition and Future Outlook

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 2023, 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. 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.

Request for Information

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Village of Bear Lake
Sally King, Village Treasurer
PO Box 175
Bear Lake, MI 49614
(231) 970-2066

Village of Bear Lake
Government-Wide Statement of Net Position
February 28, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 201,274	\$ 46,905	\$ 248,179
Restricted Cash			
Bond Reserve	-	23,021	23,021
Repairs, Replacement, and Improvements	-	44,409	44,409
Receivables:			
Accounts	2,329	9,152	11,481
Due From Other Governments	26,701	-	26,701
Internal Balances	(2,283)	2,283	-
Total Current Assets	<u>228,021</u>	<u>125,770</u>	<u>353,791</u>
Non-Current Assets			
Capital Assets, net:			
Nondepreciable	122,571	-	122,571
Depreciable	510,538	4,581,658	5,092,196
Total Non-Current Assets	<u>633,109</u>	<u>4,581,658</u>	<u>5,214,767</u>
Total Assets	<u>861,130</u>	<u>4,707,428</u>	<u>5,568,558</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	1,950	2,500	4,450
Accrued Payroll and Liabilities	6,899	1,520	8,419
Accrued Interest	1,471	8,597	10,068
Unearned Revenue	31,208	-	31,208
Current Portion of Non-Current Liabilities	8,000	26,000	34,000
Total Current Liabilities	<u>49,528</u>	<u>38,617</u>	<u>88,145</u>
Non-Current Liabilities			
Bonds Payable	306,000	1,361,000	1,667,000
Notes Payable	45,798	-	45,798
Total Non-Current Liabilities	<u>351,798</u>	<u>1,361,000</u>	<u>1,712,798</u>
Total Liabilities	<u>401,326</u>	<u>1,399,617</u>	<u>1,800,943</u>
NET POSITION			
Net Investment in Capital Assets	273,311	3,194,658	3,467,969
Restricted for:			
Street Improvements	107,400	-	107,400
Unrestricted	79,093	113,153	192,246
Total Net Position	<u>\$ 459,804</u>	<u>\$ 3,307,811</u>	<u>\$ 3,767,615</u>

The accompanying notes are an integral part of these basic financial statements.

Village of Bear Lake
Government-Wide Statement of Activities
For the Year Ended February 28, 2022

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<u>Primary Government</u>							
Governmental Activities							
General Government	\$ 121,677	\$ 3,741	\$ -	\$ -	\$ (117,936)	\$ -	\$ (117,936)
Public Works	73,516	25,065	55,297	-	6,846	-	6,846
Recreation and Culture	1,200	-	-	-	(1,200)	-	(1,200)
Community and Economic Development	8,106	940	-	-	(7,166)	-	(7,166)
Interest on Long-Term Debt	10,525	-	-	-	(10,525)	-	(10,525)
Total Governmental Activities	215,024	29,746	55,297	-	(129,981)	-	(129,981)
Business-Type Activities							
Water	263,481	144,944	-	-	-	(118,537)	(118,537)
Park	58,560	60,480	-	-	-	1,920	1,920
Total Business-Type Activities	322,041	205,424	-	-	-	(116,617)	(116,617)
Total Primary Government	\$ 537,065	\$ 235,170	\$ 55,297	\$ -	(129,981)	(116,617)	(246,598)
<u>General Revenues</u>							
Property Taxes, levied for							
General Purposes					70,877	-	70,877
Grants and Contributions not Restricted to Specific Programs					32,804	-	32,804
Unrestricted Interest Earnings					47	63	110
Other Revenues					5,850	104	5,954
Total General Revenues					109,578	167	109,745
Change in Net Position					(20,403)	(116,450)	(136,853)
Net Position - Beginning (As Restated)					480,207	3,424,261	3,904,468
Net Position - Ending					\$ 459,804	\$ 3,307,811	\$ 3,767,615

The accompanying notes are an integral part of these basic financial statements.

Village of Bear Lake
Governmental Funds Balance Sheet
February 28, 2022

	General Fund	Major Street Fund	Local Street Fund	Equipment Replacement Fund	SAW Grant Fund	Total Governmental Funds
ASSETS						
Cash	\$ 74,792	\$ 87,372	\$ 9,088	\$ 30,022	\$ -	\$ 201,274
Accounts Receivable	2,329	-	-	-	-	2,329
Due from Other Governments	15,393	7,653	3,655	-	-	26,701
Due from Other Funds	1,696	-	-	-	-	1,696
Total Assets	<u>\$ 94,210</u>	<u>\$ 95,025</u>	<u>\$ 12,743</u>	<u>\$ 30,022</u>	<u>\$ -</u>	<u>\$ 232,000</u>
LIABILITIES						
Accounts Payable	\$ 1,950	\$ -	\$ -	\$ -	\$ -	\$ 1,950
Accrued Payroll and Liabilities	6,649	125	125	-	-	6,899
Unearned Revenue	31,208	-	-	-	-	31,208
Due to Other Funds	3,861	59	59	-	-	3,979
Total Liabilities	<u>43,668</u>	<u>184</u>	<u>184</u>	<u>-</u>	<u>-</u>	<u>44,036</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue	<u>5,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,033</u>
FUND BALANCES						
Restricted						
Street Improvements	-	94,841	12,559	-	-	107,400
Assigned						
Equipment Replacement	-	-	-	30,022	-	30,022
Unassigned	<u>45,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,509</u>
Total Fund Balances	<u>45,509</u>	<u>94,841</u>	<u>12,559</u>	<u>30,022</u>	<u>-</u>	<u>182,931</u>
Total Liabilities and Fund Balances	<u>\$ 94,210</u>	<u>\$ 95,025</u>	<u>\$ 12,743</u>	<u>\$ 30,022</u>	<u>\$ -</u>	<u>\$ 232,000</u>

The accompanying notes are an integral part of these basic financial statements.

Village of Bear Lake
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
February 28, 2022

Total Governmental Fund Balances		\$ 182,931
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Cost of capital assets	\$ 825,606	
Accumulated depreciation	<u>(192,497)</u>	633,109
Long-term liabilities in governmental activities are not due and payable in the current period and, therefore are not reported in the governmental funds.		
Accrued Interest Payable		(1,471)
Bonds Payable		(314,000)
Notes Payable		(45,798)
Other long-term assets are not available to pay for current period expenditures and, therefore are reported as unavailable revenue in the funds		
		<u>5,033</u>
Total Net Position Governmental Activities		<u><u>\$ 459,804</u></u>

The accompanying notes are an integral part of these basic financial statements.

Village of Bear Lake
Governmental Funds Statement of Revenues,
Expenditures, and Change in Fund Balances
For the Year Ended February 28, 2022

	Special Revenue Funds				Capital Projects Fund	Total Governmental Funds
	General Fund	Major Street Fund	Local Street Fund	Equipment Replacement Fund	SAW Grant Fund	
REVENUES						
Property Taxes	\$ 70,877	\$ -	\$ -	\$ -	\$ -	\$ 70,877
Licenses and Permits	3,891	-	-	-	-	3,891
State Grants	29,353	36,845	16,870	-	-	83,068
Interest and Rents	8,781	29	2	16,323	6	25,141
Other Revenue	67,326	-	-	-	-	67,326
Total Revenues	180,228	36,874	16,872	16,323	6	250,303
EXPENDITURES						
General Government	129,441	-	-	-	-	129,441
Public Works	1,185	11,368	13,233	14,174	9,751	49,711
Community and Economic Development	8,106	-	-	-	-	8,106
Recreation and Culture	1,200	-	-	-	-	1,200
Capital Outlay	46,784	-	-	-	-	46,784
Debt Service	21,759	-	-	-	-	21,759
Total Expenditures	208,475	11,368	13,233	14,174	9,751	257,001
Change in Fund Balances	(28,247)	25,506	3,639	2,149	(9,745)	(6,698)
Fund Balance - Beginning	73,756	69,335	8,920	27,873	9,745	189,629
Fund Balance - Ending	<u>\$ 45,509</u>	<u>\$ 94,841</u>	<u>\$ 12,559</u>	<u>\$ 30,022</u>	<u>\$ -</u>	<u>\$ 182,931</u>

The accompanying notes are an integral part of these basic financial statements.

Village of Bear Lake
Reconciliation of the Statement of Revenues, Expenditures, and Changes
In Fund Balances of Governmental Funds To the Statement of Activities
For the Year Ended February 28, 2022

Change in Fund Balances - Total Governmental Funds \$ (6,698)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation Expense	(27,829)
Capital Outlay	68,157
Net effect of Capital Outlay Sold	<u>(70,300)</u>

The issuance of long-term debt provides current financial resources to governmental funds, but increases liabilities in the Statement of Net Position. Repayment of debt is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position

Repayment of Principal on Long-Term Debt	11,202
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in Accrued Interest Payable	32
Change in Unavailable Revenue	<u>5,033</u>

Change in Net Position - Governmental Activities \$ (20,403)

The accompanying notes are an integral part of these basic financial statements.

Village of Bear Lake
Proprietary Funds - Statement of Net Position
February 28, 2022

	Business-Type Activities - Enterprise Funds		
	Water	Park	Total
ASSETS			
Current Assets			
Cash	\$ 39,921	\$ 6,984	\$ 46,905
Restricted Cash			
Bond Reserve	23,021	-	23,021
Repairs, Replacement and Improvements	44,409	-	44,409
Accounts Receivable	9,152	-	9,152
Due From Other Funds	-	3,861	3,861
Total Current Assets	116,503	10,845	127,348
Noncurrent Assets			
Land Improvements	398,131	51,804	449,935
Machinery and Equipment	6,457	2,700	9,157
Water System	4,777,076	-	4,777,076
Less Accumulated Depreciation	(634,609)	(19,901)	(654,510)
Total Noncurrent Assets	4,547,055	34,603	4,581,658
Total Assets	4,663,558	45,448	4,709,006
LIABILITIES			
Current Liabilities			
Accounts Payable	2,500	-	2,500
Accrued Payroll and Liabilities	1,520	-	1,520
Due to Other Funds	1,578	-	1,578
Accrued Interest	8,597	-	8,597
Current Portion of Long-Term Debt	26,000	-	26,000
Total Current Liabilities	40,195	-	40,195
Noncurrent Liabilities			
Revenue Bonds	1,361,000	-	1,361,000
Total Liabilities	1,401,195	-	1,401,195
NET POSITION			
Net Investment in Capital Assets	3,160,055	34,603	3,194,658
Unrestricted	102,308	10,845	113,153
Total Net Position	\$ 3,262,363	\$ 45,448	\$ 3,307,811

The accompanying notes are an integral part of these basic financial statements.

Village of Bear Lake
Proprietary Funds - Statement of Revenues, Expenses,
and Change in Net Position
For the Year Ended February 28, 2022

	Business-Type Activities - Enterprise Funds		
	Water	Park	Total
OPERATING REVENUES			
Charges for Services	\$ 144,944	\$ 60,480	\$ 205,424
Other Income	-	104	104
Total Operating Revenues	144,944	60,584	205,528
OPERATING EXPENSES			
Personnel Services	33,796	20,256	54,052
Professional Services	19,229	1,374	20,603
Repairs and Maintenance	3,451	6,018	9,469
Insurance	1,474	1,422	2,896
Operating Supplies and Expense	13,658	4,706	18,364
Utilities	9,629	12,669	22,298
Depreciation	146,441	3,955	150,396
Rental Expense	9,717	8,160	17,877
Total Operating Expenses	237,395	58,560	295,955
Operating Income	(92,451)	2,024	(90,427)
NONOPERATING REVENUES (EXPENSES)			
Interest Income	56	7	63
Interest Expense	(26,086)	-	(26,086)
Total Nonoperating Revenues (Expenses)	(26,030)	7	(26,023)
Change in Net Position	(118,481)	2,031	(116,450)
Net Position - Beginning (As Restated)	3,380,844	43,417	3,424,261
Net Position - Ending	\$ 3,262,363	\$ 45,448	\$ 3,307,811

The accompanying notes are an integral part of these basic financial statements.

Village of Bear Lake
Proprietary Funds - Statement of Cash Flows
For the Year Ended February 28, 2022

	Business-Type Activities - Enterprise Funds		
	Water	Park	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts From Customers	\$ 144,244	\$ 60,584	\$ 204,828
Payments to Suppliers	(56,156)	(34,349)	(90,505)
Payments to Employees	(33,486)	(20,256)	(53,742)
Net Cash Provided by (Used for) Operating Activities	<u>54,602</u>	<u>5,979</u>	<u>60,581</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES			
Change in Interfund Balances	<u>11,566</u>	<u>-</u>	<u>11,566</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Paid on Capital Debt	(26,000)	-	(26,000)
Interest Paid on Capital Debt	(26,248)	-	(26,248)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(52,248)</u>	<u>-</u>	<u>(52,248)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Earnings	<u>56</u>	<u>7</u>	<u>63</u>
Net Cash Provided by (Used for) Investing Activities	<u>56</u>	<u>7</u>	<u>63</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>13,976</u>	<u>5,986</u>	<u>19,962</u>
Cash and Cash Equivalents at Beginning of Year	<u>93,375</u>	<u>998</u>	<u>94,373</u>
Cash and Cash Equivalents at End of Year	<u>\$ 107,351</u>	<u>\$ 6,984</u>	<u>\$ 114,335</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating Income (Loss)	\$ (92,451)	\$ 2,024	\$ (90,427)
Adjustments to Reconcile Operating Income (Loss) to net Cash Provided by (Used for) Operating Activities			
Depreciation	146,441	3,955	150,396
Change in Assets and Liabilities			
Accounts Receivable	(700)	-	(700)
Accrued Payroll and Liabilities	310	-	310
Accounts Payable	1,002	-	1,002
Net Cash Provided by Operating Activities	<u>\$ 54,602</u>	<u>\$ 5,979</u>	<u>\$ 60,581</u>

The accompanying notes are an integral part of these basic financial statements.

Village of Bear Lake
Notes to the Financial Statements
February 28, 2022

I. Summary of Significant Accounting Policies

A. Description of Government-Wide 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 and its component unit. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The Village of Bear Lake does not have any component units.

B. Reporting Entity

The Village of Bear Lake, Michigan, (“the Village”) is a general law village which is governed by an elected seven-member council. As required by generally accepted accounting principles generally accepted in the United States of America, the Village has determined that there are no component units which should be included in its reporting entity.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the Village’s enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the Village's water and park functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the Village’s funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The Village 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 Street Fund is used to account for all financial activity of the streets designated by the State of Michigan as major thoroughfares.

The Local Street Fund receives all local street money paid to the Village by the State, accounts for all construction, maintenance, traffic services, and snow and ice control on all streets classified as local.

Village of Bear Lake
Notes to the Financial Statements
February 28, 2022

The Equipment Replacement Fund provided services to other departments or agencies within the government, on a cost reimbursement basis. It is responsible for the maintenance and replacement of machinery and equipment used throughout the village.

The SAW Grant Fund accounts for the financial resources used and received from the SAW Grant.

The Village reports the following major enterprise funds:

The Water Fund records the financial activity of the water system which provides water to customers.

The Park Fund includes the operations of the campground within the Village.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, transfers between funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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.

The 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Village of Bear Lake
Notes to the Financial Statements
February 28, 2022

Property 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue resource (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources focus* and the *accrual basis of accounting*.

F. Budgetary Information

1. Budgetary Basis of 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 are budgeted annually. The Village follows these procedures in establishing the budgetary data reflected in the financial statements.

- Prior to March 1, the Village President submits to the Village Council a proposed operating budget for all governmental funds for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- The Village Council holds a public hearing and adopts a resolution approving the budgets.
- Prior to the first day of the following fiscal year, the budget is legally enacted through passage of a resolution.
- The legal level of budgetary control is at the functional level.
- Budget appropriations lapse at year-end.
- 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, 2022. Expenditures may not exceed appropriations. Any amendment to the original budget must meet the requirements of Public Act 621.

Village of Bear Lake
Notes to the Financial Statements
February 28, 2022

2. Excess of Expenditures over Appropriations

During the year ended February 28, 2022, actual expenditures exceeded appropriations for:

	<u>Appropriations</u>	<u>Expenditures</u>
General Fund		
General Government		
Village Council	\$ 19,151	\$ 22,608
Clerk	17,752	17,991
Community and Economic Development		
Planning and Zoning	8,002	8,106
Capital Outlay	-	46,784
Debt Service		
Principal	5,950	11,202
Interest	-	10,557
Equipment Replacement Fund		
Public Works	13,605	14,174

These over expenditures were funded with available fund balance.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The government'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 (including certificates of deposit).

2. Investments

The Village's investment policy is in compliance with state law and authorizes the Village to invest in savings accounts, certificates of deposit and money market funds. The Village does not have any investments other than interest bearing bank accounts. Some investments authorized by state law are shown as cash on the financial statements.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out method. Currently, the Village does not have inventory and inventories are recorded as expenditures when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Certain debt proceeds of the Village's enterprise funds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and they are maintained in separate bank accounts.

Village of Bear Lake
Notes to the Financial Statements
February 28, 2022

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the primary government, as well as the component unit are depreciated using the straight-line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Land and Improvements	10-40
Machinery and Equipment	5-7
Vehicles	10
Water Systems	35-40

6. Unearned Revenue

Unearned revenue arises when resources are received by the Village before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The Village unearned revenue related to a grant they received in the prior fiscal years and COVID relief funding.

7. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. 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 over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 sources while discounts on debt issuance 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
February 28, 2022

8. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Village has no deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village has one item that qualifies as a deferred inflows of resources for unavailable revenue from the state revenue sharing program that was never received.

9. *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.

10. *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 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.

11. *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. 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 governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Village of Bear Lake
Notes to the Financial Statements
February 28, 2022

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 council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

12. Use of Estimates

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

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenue 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

The Village property tax is levied on July 1 and is due on or before September 14, 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 the Village's operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2021 taxable valuation of the Village of Bear Lake totaled \$7,052,159 on which ad valorem taxes levied consisted of 10.1780 mills for the Village of Bear Lake operating purposes. This levy is recognized as tax revenue in the General Fund.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 water fund and park fund are charges to customers for services. Operating expenses for enterprise funds include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Village of Bear Lake
Notes to the Financial Statements
February 28, 2022

II. Stewardship, Compliance and Accountability

A. Violation of Legal or Contractual Provisions

Note I.F.2, on the Excess of Expenditures over Appropriations, describes a budgetary violation that occurred for the year ended February 28, 2022.

III. Detailed Notes on All Funds

A. Deposits and investments

The Village's deposits and investments are on deposit with Filer Credit Union and Honor Bank.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of February 28, 2022, none the Village's bank balance of \$316,049 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Interest rate risk. The Village will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Village's cash requirement.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs).

Concentration of credit risk. The Village will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Village's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign currency risk. The Village is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

Fair Market Value Disclosures – Village is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include,

Village of Bear Lake
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but are not limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There are two types of valuation techniques most commonly used and vary depending on the level of investment. These two techniques are the market approach and income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or similar assets and liabilities. The income approach discounts future amounts to a single current amount and the discount rate used in the process should reflect current market expectations about risks associated with those future cash flows.

The Village does not have investments subject to fair value measurements.

The carrying amount of deposits and investments are reported in the financial statements as follows:

	Governmental Activities	Business-Type Activities	Total
Cash - Unrestricted	\$ 201,274	\$ 46,905	\$ 248,179
Cash - Restricted	-	67,430	67,430
	\$ 201,274	\$ 114,335	\$ 315,609

B. Receivables

Receivables as of year-end for the government's individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

Amounts due from other governments include amounts due from state sources for various projects and programs.

By ordinance, the Village can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

	General	Major Streets	Local Streets	Water	Total
Accounts Receivable	\$ 2,329	\$ -	\$ -	\$ 9,152	\$ 11,481
Due From Other Governments	15,393	7,653	3,655	-	26,701
Net Receivables	\$ 17,722	\$ 7,653	\$ 3,655	\$ 9,152	\$ 38,182

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Notes to the Financial Statements
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C. Capital Assets

Capital asset activity for the year ended February 28, 2022 was as follows:

1. Primary Government

	Balance March 1, 2021	Additions	Deletions	Balance February 28, 2022
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 122,571	\$ -	\$ -	\$ 122,571
Capital Assets, Being Depreciated				
Land Improvements	16,519	21,373	-	37,892
Building and Improvements	512,661	-	74,000	438,661
Machinery and Equipment	87,591	-	-	87,591
Vehicles	92,107	46,784	-	138,891
Total Capital Assets, Being Depreciated	<u>708,878</u>	<u>68,157</u>	<u>74,000</u>	<u>703,035</u>
Less Accumulated Depreciation for				
Land Improvements	482	1,806	-	2,288
Building and Improvements	8,989	11,937	3,700	17,226
Machinery and Equipment	78,725	3,039	-	81,764
Vehicles	80,172	11,047	-	91,219
Total Accumulated Depreciation	<u>168,368</u>	<u>27,829</u>	<u>3,700</u>	<u>192,497</u>
Total Capital Assets, Being Depreciated, net	<u>540,510</u>	<u>40,328</u>	<u>70,300</u>	<u>510,538</u>
Governmental activities capital assets, net	<u>\$ 663,081</u>	<u>\$ 40,328</u>	<u>\$ 70,300</u>	<u>\$ 633,109</u>
Business-Type Activities:				
Capital Assets, Being Depreciated				
Land Improvements	\$ 449,935	\$ -	\$ -	\$ 449,935
Machinery and Equipment	9,157	-	-	9,157
Water Systems	4,777,076	-	-	4,777,076
Total Capital Assets, Being Depreciated	<u>5,236,168</u>	<u>-</u>	<u>-</u>	<u>5,236,168</u>
Less Accumulated Depreciation for				
Land Improvements	269,137	13,908	-	283,045
Machinery and Equipment	9,157	-	-	9,157
Water Systems	225,820	136,488	-	362,308
Total Accumulated Depreciation	<u>504,114</u>	<u>150,396</u>	<u>-</u>	<u>654,510</u>
Total Capital Assets, Being Depreciated, net	<u>4,732,054</u>	<u>(150,396)</u>	<u>-</u>	<u>4,581,658</u>
Business-Type activities capital assets, net	<u>\$ 4,732,054</u>	<u>\$ (150,396)</u>	<u>\$ -</u>	<u>\$ 4,581,658</u>

Village of Bear Lake
Notes to the Financial Statements
February 28, 2022

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 4,024
Public Works	23,805
Total Depreciation Expense	\$ 27,829
Business-Type Activities:	
Water	\$ 146,441
Park	3,955
Total Depreciation Expense	\$ 150,396

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at February 28, 2022, were:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Major Street	\$ 59
General Fund	Local Street	59
General Fund	Water	1,578
Park Fund	General Fund	3,861

All remaining balances resulted 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) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

During the year, transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due and 2) move general fund resources to provide an annual subsidy to the transit fund. The Village had no interfund transfers during the year ending February 28, 2022.

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Notes to the Financial Statements
February 28, 2022

E. Long-Term Obligations

The following is a summary of long-term obligation transactions for the Village for the year ended February 28, 2022:

Governmental Activities:

	General Obligation Bond	Notes from Direct Borrowings and Direct Placements	Total
Balance at March 1, 2021	\$ 321,000	\$ 50,000	\$ 371,000
Additions	-	-	-
Deletions	(7,000)	(4,202)	(11,202)
Balances at February 28, 2022	<u>\$ 314,000</u>	<u>\$ 45,798</u>	<u>\$ 359,798</u>
Due within one year	<u>\$ 8,000</u>	<u>\$ -</u>	<u>\$ 8,000</u>

Debt payable at February 28, 2022, is comprised of the following individual issues:

\$328,000 General Obligation Limited Tax Bond due in annual installments of \$2,000 to \$16,000 through January 1, 2050; interest at 2.75%	314,000
Installment purchase agreement for additional construction in the amount of \$50,000 due in annual installments of \$5,992 through March 1, 2031 with an interest rate of 3.40%	<u>45,798</u>
	<u>\$ 359,798</u>

The annual requirements to amortize these debts outstanding as of February 28, 2022, including interest payments of \$153,631 are as follows:

Year Ending February 28-29	General Obligation Bond		Notes from Direct Borrowings and Direct Placements		Total	
	2020 DPW Building Limited Tax Bond		Installment Loan			
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 8,000	\$ 8,732	\$ -	\$ -	\$ 8,000	\$ 8,732
2024	8,000	8,526	4,435	1,557	12,435	10,083
2025	8,000	8,306	4,586	1,406	12,586	9,712
2026	8,000	8,086	4,742	1,250	12,742	9,336
2027	8,000	7,866	26,240	3,721	34,240	11,587
2028-2032	46,000	35,807	5,795	197	51,795	36,004
2033-2037	52,000	29,576	-	-	52,000	29,576
2038-2042	60,000	21,809	-	-	60,000	21,809
2043-2047	68,000	13,215	-	-	68,000	13,215
2048-2052	48,000	3,577	-	-	48,000	3,577
	<u>\$ 314,000</u>	<u>\$ 145,500</u>	<u>\$ 45,798</u>	<u>\$ 8,131</u>	<u>\$ 359,798</u>	<u>\$ 153,631</u>

Village of Bear Lake
Notes to the Financial Statements
February 28, 2022

Business-Type Activities:

The Village's debt obligations at February 28, 2022 are comprised of the following issue:

	Water Revenue Bond
Balance at March 1, 2020	\$ 1,413,000
Additions	-
Deletions	(26,000)
Balances at February 28, 2021	\$ 1,387,000
Due within one year	\$ 26,000

Debt payable at February 28, 2022, is comprised of the following individual issue:

\$1,463,000 Water Revenue Bond due in annual installments of \$26,000 to \$51,000 through May 1, 2058; interest at 1.875%	\$ 1,387,000
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The annual requirements to amortize these debts outstanding as of February 28, 2022, including interest payments of \$532,537 are as follows:

<u>Year Ending February 28-29</u>	Revenue Bond	
	2018 Water Supply Revenue Bond	
	Principal	Interest
2023	\$ 26,000	\$ 25,760
2024	27,000	25,264
2025	27,000	24,826
2026	28,000	24,241
2027	28,000	23,717
2028-2032	150,000	110,414
2033-2037	165,000	95,691
2038-2042	180,000	79,452
2043-2047	198,000	61,744
2048-2052	217,000	38,620
2053-2057	240,000	20,913
2058-2060	101,000	1,895
	\$ 1,387,000	\$ 532,537

IV. Other Information

A. Risk Management

The Village of Bear Lake is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation). The Village carries commercial insurance to cover these risks of loss.

Village of Bear Lake
Notes to the Financial Statements
February 28, 2022

B. Joint Venture

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.

C. Commitments and Contingencies

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Village expects such amounts, if any, to be immaterial.

D. Restatement of Net Position

During the fiscal year ending February 28, 2022, adjustments were made to the net position stated in the February 28, 2021 audit report. The prior period net positions were restated to reclassify DPW Building and USDA Loan and other loans related to DPW Building from the Water Fund/Business-Type Activities to the Governmental Activities. The following table summarizes the adjustments made to the beginning net position:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Water Fund</u>
Net Position			
As Previously Reported as of February 28, 2021	\$ 463,941	\$ 3,440,527	\$ 3,397,110
Reclassification of DPW Building	388,769	(388,769)	(388,769)
Reclassification of USDA Loan related to DPW Building	(321,000)	321,000	321,000
Reclassification of Other Loans related to DPW Building	(50,000)	50,000	50,000
Reclassification of Accrued Interest related to DPW Building	(1,503)	1,503	1,503
Net Position			
Restated as of February 28, 2021	<u>\$ 480,207</u>	<u>\$ 3,424,261</u>	<u>\$ 3,380,844</u>

E. Subsequent Events

Subsequent to year end, the Village purchased a snow plow attachment for a truck in the amount of \$7,000. No adjustments have been made to the financial statements related to this subsequent event.

Village of Bear Lake
Notes to the Financial Statements
February 28, 2022

F. Uncertainty

The coronavirus (COVID-19) pandemic, whose effects first became known in January 2020, is having a broad and negative impact on the commerce and financial markets around the world. The extent of the impact of COVID-19 on the Village's operational and financial performance will depend on various developments, including the curation and spread of the outbreak and its impacts on the Village's employees, vendors, and taxpayers, all of which at present, cannot be reasonably determined. Accordingly, the extent to which COVID-19 may impact the Village's financial position and changes in fund balance and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

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Village of Bear Lake
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended February 28, 2022

	Budgeted Amounts		Actual	Variance to Final Budget
	Original	Final		
Revenues				
Property Taxes	\$ 69,500	\$ 70,047	\$ 70,877	\$ 830
Licenses and Permits	3,025	3,890	3,891	1
State Grants	30,400	30,485	29,353	(1,132)
Interest and Rents	30	30	8,781	8,751
Other Revenue	901	69,166	67,326	(1,840)
Total Revenues	<u>103,856</u>	<u>173,618</u>	<u>180,228</u>	<u>6,610</u>
Expenditures				
General Government				
Village Council	18,300	19,151	22,608	(3,457)
Treasurer	7,440	6,000	6,000	-
Clerk	17,200	17,752	17,991	(239)
Building and Grounds	59,635	114,582	82,842	31,740
Public Works				
Refuse Service	591	1,186	1,185	1
Community and Economic Development				
Planning and Zoning	5,570	8,002	8,106	(104)
Recreation and Culture				
Library	1,200	1,200	1,200	-
Capital Outlay	-	-	46,784	(46,784)
Debt Service				
Principal	6,024	5,950	11,202	(5,252)
Interest	-	-	10,557	(10,557)
Total Expenditures	<u>115,960</u>	<u>173,823</u>	<u>208,475</u>	<u>(34,652)</u>
Net Change in Fund Balance	(12,104)	(205)	(28,247)	(28,042)
Fund Balance - Beginning of Year	<u>19,764</u>	<u>19,764</u>	<u>73,756</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 7,660</u>	<u>\$ 19,559</u>	<u>\$ 45,509</u>	<u>\$ (28,042)</u>

Village of Bear Lake
Required Supplementary Information
Budgetary Comparison Schedule Major Funds
For the Year Ended February 28, 2022

	Major Streets Fund			Variance to Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
Revenues				
State Grants	\$ 30,000	\$ 34,671	\$ 36,845	\$ 2,174
Interest and Rents	15	24	29	5
Total Revenues	<u>30,015</u>	<u>34,695</u>	<u>36,874</u>	<u>2,179</u>
Expenditures				
Public Works	27,500	13,670	11,368	2,302
Total Expenditures	<u>27,500</u>	<u>13,670</u>	<u>11,368</u>	<u>2,302</u>
Excess Revenue Over (Under) Expenditures	2,515	21,025	25,506	4,481
Fund Balance - Beginning of Year	<u>69,335</u>	<u>69,335</u>	<u>69,335</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 71,850</u>	<u>\$ 90,360</u>	<u>\$ 94,841</u>	<u>\$ 4,481</u>

	Local Streets Fund			Variance to Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
Revenues				
State Grants	\$ 13,500	\$ 15,715	\$ 16,870	\$ 1,155
Interest and Rents	1	1	2	1,155
Total Revenues	<u>13,501</u>	<u>15,716</u>	<u>16,872</u>	<u>2,310</u>
Expenditures				
Public Works	13,500	14,524	13,233	1,291
Total Expenditures	<u>13,500</u>	<u>14,524</u>	<u>13,233</u>	<u>1,291</u>
Net Change in Fund Balance	1	1,192	3,639	2,447
Fund Balance - Beginning of Year	<u>8,920</u>	<u>8,920</u>	<u>8,920</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 8,921</u>	<u>\$ 10,112</u>	<u>\$ 12,559</u>	<u>\$ 2,447</u>

	Equipment Replacement Fund			Variance to Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
Revenues				
Interest and Rent	\$ 15,510	\$ 16,320	\$ 16,323	\$ 3
Total Revenues	<u>15,510</u>	<u>16,320</u>	<u>16,323</u>	<u>3</u>
Expenditures				
Public Works	11,100	13,605	14,174	(569)
Net Change in Fund Balance	4,410	2,715	2,149	(566)
Fund Balance - Beginning of Year	<u>27,873</u>	<u>27,873</u>	<u>27,873</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 32,283</u>	<u>\$ 30,588</u>	<u>\$ 30,022</u>	<u>\$ (566)</u>