

**TOWNSHIP OF BLUE LAKE  
KALKASKA COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2015**



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## INDEPENDENT AUDITOR'S REPORT

To the Township Board  
Township of Blue Lake, Michigan

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Blue Lake, Michigan (the "Township"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Independent 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 Supplementary Information***

The tax levy and collections schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Gabridge & Company, PLC  
Grand Rapids, MI  
December 18, 2015

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

## Management Discussion and Analysis

As the Township Board of Blue Lake Township (the “Township” or “government”), Kankaska County, we offer readers of the Township’s financial statements this narrative overview and analysis of the financial activities of Blue Lake Township for the fiscal year ended June 30, 2015.

### *Financial Highlights*

- The assets of Blue Lake Township exceeded its liabilities (total net position) at the close of the most recent fiscal year by \$2,520,829. Of this amount, \$382,897 is unrestricted and may be used to meet the township’s ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, Township’s governmental funds reported combined ending fund balances of \$833,087, an increase of \$68,003 in comparison with the prior year. Of the entire total amount, \$261,426 is unassigned and available for spending at the township’s discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$261,426, or 172 percent of total general fund expenditures.

### *Overview of the Financial Statements*

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

### *Government-wide Financial Statements*

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

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

The *statement of activities* presents information showing how the Township’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., intangible and capital assets).

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

### ***Fund Financial Statements***

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Blue Lake Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Blue Lake Township are categories as governmental and fiduciary funds.

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

Blue Lake Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, township improvement fund, fire & rescue fund, trash pickup fund, and highway improvement fund. All Township government activities are included in these five funds. The Township adopts an annual appropriated budget for its general fund and all special revenue funds.

***Fiduciary Funds.*** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. These funds are not reflected in the government-wide financial statements because the resources of the funds are not available for supporting the Township's programs. These funds are accounted for using the full accrual method of accounting much like the proprietary funds. The Township reports one fiduciary fund, the tax fund.

### ***Notes to the Financial Statements***

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

### ***Government-wide Financial Analysis***

#### ***Statement of Net Position***

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Blue Lake Township, assets exceeded liabilities (total net position) by \$2,520,829 at the close of the most recent fiscal year.

By far the most significant portion of the Township’s net position \$1,687,742, or 67 percent of the total, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). The Township used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. The Township’s investment in its capital assets has been made over the past several years and no related debt is outstanding.

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

**Township of Blue Lake**  
**Net Position for June 30, 2015 and June 30, 2014**

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Cash & Cash Equivalents	\$ 808,199	\$ 751,435
Receivables (Net)	12,851	9,889
Prepaid Expenditures	3,707	-
<b>Total Current Assets</b>	<b>824,757</b>	<b>761,324</b>
<i>Noncurrent Assets</i>		
Capital Assets (Net)	677,837	728,915
Intangible Assets (Net)	1,009,905	999,535
Due from Agency Fund	10,000	10,000
<b>Total Assets</b>	<b>2,522,499</b>	<b>2,499,774</b>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts Payable	1,670	6,240
<b>Total Current Liabilities</b>	<b>1,670</b>	<b>6,240</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,687,742	1,728,449
Restricted	450,190	420,442
<i>Unrestricted</i>	382,897	344,644
<b>Total Net Position</b>	<b>\$ 2,520,829</b>	<b>\$ 2,493,534</b>

A portion of the Township’s net position (\$450,190, or 18 percent) represents resources that are subject to external restrictions on how they may be used (highway, fire & rescue, trash pickup). The remaining balance of *unrestricted net position*, \$382,898, may be used to meet the Township’s ongoing obligations to citizens and creditors.

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

**Statement of Activities**

Governmental activities increased the Township’s net position by \$27,295. A two-year comparative summary of the changes in net position for the Township is as follows:

**Township of Blue Lake  
Change in Net Position for Fiscal Year Ended  
June 30, 2015 and June 30, 2014**

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
<b>Revenue</b>		
<b>Program Revenues</b>		
Charges for Services	\$ 17,227	\$ 17,475
Operating Grants & Contributions	3,100	-
Capital Grants & Contributions	-	500
<b>Total Program Revenues</b>	20,327	17,975
<b>General Revenues</b>		
Property Taxes & Assessments	383,927	402,900
State Revenue Sharing	52,529	45,360
Interest & Rents	2,142	2,789
Other	3,329	3,718
<b>Total Revenues</b>	462,254	472,741
<b>Expenses</b>		
General Government	139,954	122,409
Public Safety	139,091	127,992
Public Works	143,734	103,239
Community & Economic Development	10,426	13,012
Health & Welfare	1,754	1,851
<b>Total Expenses</b>	434,959	368,503
<b>Change in Net Position</b>	27,295	104,239
<i>Beginning Net Position</i>	2,493,534	2,389,295
<b>Ending Net Position</b>	\$ 2,520,829	\$ 2,493,534

***Financial Analysis of the Government’s Funds***

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

***Governmental funds.*** The focus of the Township’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such

information is useful in assessing the Township's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a Township's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$833,087, an increase of \$68,003 in comparison with the prior year. Of this \$833,087 fund balance, \$450,190 is restricted.

***General Fund.*** The general fund is used for normal governmental activities such as, paying employees, running elections, zoning activities, office supplies, and other activities. The general fund decreased its fund balance in this fiscal year by \$46,871, bringing the balance to \$273,090.

***Fire Fund.*** The fire and rescue fund is used to operate, maintain and equip the fire and rescue department. The fire fund is supported by a 1.00 tax mill which is used both for operations and capital improvements. The fund balance of the fire fund at the most recent fiscal year end was \$262,538. This was an increase of \$16,393 from the previous fiscal year end.

***Highway Improvement Fund.*** The highway improvement fund is used to construct, pave and repave roads within the township. This fund is supported by a 1.2 mill tax levy. The fund balance of the highway improvement fund at the most recent fiscal year end was \$141,536. This was an increase of \$16,771 from the previous fiscal year end. This fund was used to finance the paving of Eagle Lake Lane and Eagle Drive as well as projects to gravel several roads in the township and resurface West Blue Lake during the current year.

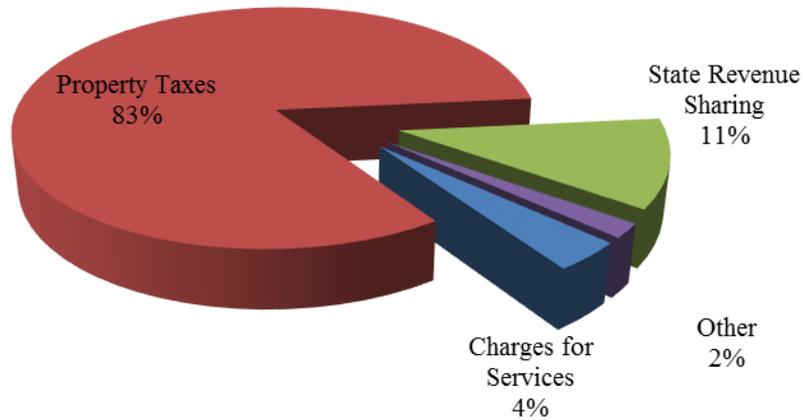
***Improvement Revolving Fund.*** The improvement revolving fund is used for general improvements within the township as well as for unplanned emergency situations. The fund balance of the township improvement fund at the most recent fiscal year end was \$109,807. This was an increase of \$85,126 from the previous fiscal year end. This year the Board approved a transfer from the general fund of \$75,000 to the improvement fund. There were no expenditures from this fund in the current year. Next year we will be using this fund to resurface the Township Hall parking lot, and landscape around the building including a new sign and flag pole.

***Trash Pickup Fund*** The trash pickup fund is used to pay a contractor to remove residential waste from the Township. The fund is supported by a 0.6 mill tax levy which was reduced by the township board to 0.4 mills in order to reduce the value of the fund. The fund balance of the trash pickup fund at the most recent fiscal year end was \$46,116. This was a decrease of \$3,416 from the previous fiscal year end.

***Governmental Activities***

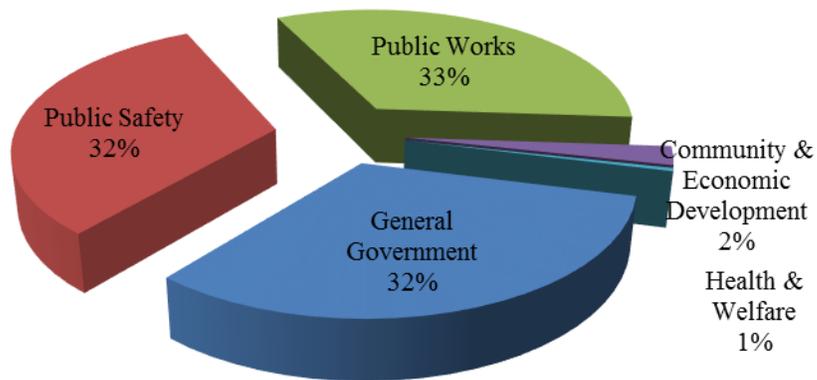
The following chart summarizes the revenue sources for the governmental activities of the Township for the most recent fiscal year end.

**Governmental Activities Revenues**



The following chart summarizes the expenses for the governmental activities of the Township for the most recent fiscal year end.

**Governmental Activities Expenses**



***General Fund Budgetary Highlights***

The Township did not amend the original budget for the current year. In total actual expenses came well under the budgeted amounts.

The Township had one expenditure in excess of the amount budgeted in the final amended budget of the general fund:

<u>Fund</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>General</b>			
Treasurer	\$ 23,363	\$ 24,371	\$ (1,008)

The expenditure was a result of purchasing a laptop computer and related accessories at a discount accessible only prior to the end of the fiscal year.

***Capital Asset and Debt Administration***

The Township’s investment in capital assets for governmental activities at year end amounted to \$1,687,742 (net of accumulated depreciation). Capital assets of the Township include any items purchased that cost in excess of \$1,000 and have an expected useful life of more than one year. The Township has invested in a broad range of capital assets, as detailed below:

**Township Blue Lake  
Capital Assets as of June 30, 2015**

	<u>Governmental Activities</u>
Land	\$ 1,705
Buildings	505,525
Equipment	817,438
Road Improvements	1,338,672
<b>Subtotal</b>	<u>2,663,340</u>
Accumulated Depreciation	<u>975,599</u>
<b>Net Capital Assets</b>	<u>\$ 1,687,742</u>

***Economic Factors and Next Year’s Budgets and Rates***

While state shared revenues have been lower in recent years and negatively impacted provision of general government services, including street maintenance, these revenues have increased in the current year.

Home sales in the area have increased over the last year and prices have been higher than current assessment. However since the completion in 2009 of the ANR Gas Storage Company’s new gas storage plant the depreciation on their equipment has been reducing assessments. Our

current property taxable value in the township is \$98,199,000 down from a high in 2010 of \$113,666,000. ANR is now approximately 25% of the Townships tax base.

The Township's general fund millage rate (normally 1.00 mill) has been reduced by the Headlee Amendment rollback to 0.8123 mills for operating purposes. These factors were considered in preparing the Township's budget for the 2015-16 fiscal year.

The Township has approved a balanced budget for the 2015–16 fiscal year that projects a deficit of \$52,626.

Looking ahead, we will continue to balance the budgets with tight controls over spending, while striving to provide the Township's residents with the same level of service to which they have been accustomed.

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

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

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

## **BASIC FINANCIAL STATEMENTS**

**Township of Blue Lake  
Statement of Net Position  
June 30, 2015**

	<b>Primary Government</b>
	<b>Governmental Activities</b>
<b>ASSETS</b>	
<i>Current Assets</i>	
Cash & Cash Equivalents	\$ 808,199
Receivables (Net)	12,851
Prepays	3,707
<b>Total Current Assets</b>	<b>824,757</b>
<i>Noncurrent Assets</i>	
Advance to Agency Fund	10,000
Land	1,705
Capital Assets (Net)	676,132
Intangible Assets (Net)	1,009,905
<b>Total Assets</b>	<b>2,522,499</b>
<b>LIABILITIES</b>	
<i>Current Liabilities</i>	
Accounts Payable	1,508
Accrued Payroll & Related Liabilities	162
<b>Total Current Liabilities</b>	<b>1,670</b>
<i>Noncurrent Liabilities</i>	
<b>Total Liabilities</b>	<b>1,670</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,687,742
<i>Restricted for:</i>	
Highway Improvements	141,536
Fire Protection	262,538
Trash Pickup	46,116
<i>Unrestricted</i>	382,897
<b>Total Net Position</b>	<b>\$ 2,520,829</b>

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

**Township of Blue Lake  
Statement of Activities  
For the Year Ended June 30, 2015**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense)</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Revenue</b>
<b>Primary Government</b>					
<b>Governmental Activities:</b>					
Legislative	\$ 31,222	\$ --	\$ --	\$ --	\$ (31,222)
General Government	108,732	7,363	--	--	(101,369)
Public Safety	139,091	--	--	--	(139,091)
Public Works	143,734	9,864	3,100	--	(130,770)
Community & Economic Development	10,426	--	--	--	(10,426)
Health & Welfare	1,754	--	--	--	(1,754)
<b>Total Primary Government</b>	<b>\$ 434,959</b>	<b>\$ 17,227</b>	<b>\$ 3,100</b>	<b>\$ --</b>	<b>\$ (414,632)</b>

**General Purpose Revenues and Transfers:**

**Revenues**

Taxes	383,927
State Revenue Sharing	52,529
Interest & Rents	2,142
Other	3,329

**Transfers**

<i>Total General Revenues and Transfers</i>	<u>441,927</u>
<b>Change in Net Position</b>	<b>27,295</b>
<i>Net Position at Beginning of Period</i>	2,493,534
<b>Net Position at End of Period</b>	<b>\$ <u>2,520,829</u></b>

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

**Township of Blue Lake  
Balance Sheet  
Governmental Funds  
June 30, 2015**

	General	Special Revenue			Nonmajor	Total Governmental Funds
		Fire	Trash Pickup	Highway Improvement	Improvement Revolving	
<b>ASSETS</b>						
Cash & Cash Equivalents	\$ 251,609	\$ 260,512	\$ 46,116	\$ 140,155	\$ 109,807	\$ 808,199
Receivables (Net)	11,470	--	--	1,381	--	12,851
Prepays	1,664	2,043	--	--	--	3,707
Advance to Agency Fund	10,000	--	--	--	--	10,000
<b>Total Assets</b>	<b>\$ 274,743</b>	<b>\$ 262,555</b>	<b>\$ 46,116</b>	<b>\$ 141,536</b>	<b>\$ 109,807</b>	<b>\$ 834,757</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 1,491	\$ 17	\$ --	\$ --	\$ --	\$ 1,508
Accrued Payroll & Related Liabilities	162	--	--	--	--	162
<b>Total Liabilities</b>	<b>1,653</b>	<b>17</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1,670</b>
<b>FUND BALANCE</b>						
Nonspendable	11,664	2,043	--	--	--	13,707
Restricted	--	260,495	46,116	141,536	--	448,147
Assigned	--	--	--	--	109,807	109,807
Unassigned	261,426	--	--	--	--	261,426
<b>Total Fund Balance</b>	<b>273,090</b>	<b>262,538</b>	<b>46,116</b>	<b>141,536</b>	<b>109,807</b>	<b>833,087</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 274,743</b>	<b>\$ 262,555</b>	<b>\$ 46,116</b>	<b>\$ 141,536</b>	<b>\$ 109,807</b>	<b>\$ 834,757</b>

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

**Township of Blue Lake**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2015**

Total Fund Balance - Governmental Funds	\$ 833,087
General government intangible assets of \$1,338,672 net of accumulated amortization of \$328,767 are not financial resources and accordingly are not reported in the funds	1,009,905
General government capital assets of \$1,324,668 net of accumulated depreciation of \$646,831 are not financial resources and accordingly are not reported in the funds	677,837
<b>Total Net Position-Governmental Funds</b>	<b>\$ <u>2,520,829</u></b>

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

**Township of Blue Lake**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	Special Revenue				Nonmajor	Total Governmental Funds
	General	Fire	Trash Pickup	Highway Improvement	Improvement Revolving	
<b>Revenues</b>						
Taxes	\$ 118,309	\$ 102,161	\$ 40,862	\$ 122,595	\$ --	\$ 383,927
Licenses & Permits	2,435	--	--	--	--	2,435
State Revenue Sharing	52,057	--	--	3,572	--	55,629
Charges for Services	4,928	--	--	--	--	4,928
Interest & Rents	739	711	122	308	10,126	12,006
Other	1,692	1,637	--	--	--	3,329
<b>Total Revenues</b>	180,160	104,509	40,984	126,475	10,126	462,254
<b>Expenditures</b>						
Legislative	31,222	--	--	--	--	31,222
General Government	97,784	--	--	--	--	97,784
Public Safety	10,845	81,998	--	--	--	92,843
Health & Welfare	1,754	--	--	--	--	1,754
Public Works	--	--	44,400	33,355	--	77,755
Community & Economic Development	10,426	--	--	--	--	10,426
Capital Outlay	--	6,118	--	76,349	--	82,467
<b>Total Expenditures</b>	152,031	88,116	44,400	109,704	--	394,251
<b>Excess of Revenues Over (Under) Expenditures</b>	28,129	16,393	(3,416)	16,771	10,126	68,003
<b>Other Financing Sources (Uses)</b>						
Transfers from Other Funds	--	--	--	--	75,000	75,000
Transfers to Other Funds	(75,000)	--	--	--	--	(75,000)
<b>Net Other Financing Sources (Uses)</b>	(75,000)	--	--	--	75,000	--
<b>Net Change in Fund Balance</b>	<b>(46,871)</b>	<b>16,393</b>	<b>(3,416)</b>	<b>16,771</b>	<b>85,126</b>	<b>68,003</b>
<i>Fund Balance at Beginning of Period</i>	319,961	246,145	49,532	124,765	24,681	765,084
<b>Fund Balance at End of Period</b>	<b>\$ 273,090</b>	<b>\$ 262,538</b>	<b>\$ 46,116</b>	<b>\$ 141,536</b>	<b>\$ 109,807</b>	<b>\$ 833,087</b>

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

**Township of Blue Lake**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended June 30, 2015**

Total Net Change in Fund Balances - Governmental Funds	\$	68,003
<p>Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their useful lives as depreciation. This is the amount of capital outlay expenditures of \$82,467 net of depreciation expense of \$123,175 in the current period</p>		
		(40,708)
<b>Changes in Net Position-Governmental Funds</b>	<b>\$</b>	<b><u>27,295</u></b>

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

**Township of Blue Lake  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2015**

	<b>Agency</b>
	<b>Tax Fund</b>
<b>ASSETS</b>	
Cash & Cash Equivalents	\$ 10,058
<i>Total Assets</i>	10,058
<b>LIABILITIES</b>	
Due to General Fund	10,000
Due to Other Agencies	58
<i>Total Liabilities</i>	10,058
<b>NET POSITION</b>	
Held in Trust	\$ --

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

**NOTES TO THE FINANCIAL STATEMENTS**

# Township of Blue Lake

## Notes to the Financial Statements

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Reporting Entity*

Blue Lake Township is a general law township located in Kankaska County. Population as of the 2010 census was 387, and the current taxable value is \$98,199,000.

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

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

#### *Basis of Presentation*

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

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

#### *Fund Financial Statements*

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

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

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

## Township of Blue Lake

### Notes to the Financial Statements

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

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

In addition to the general fund, the Township reports the following major governmental funds:

The ***highway improvement fund*** provides road and highway improvements funded by property taxes. The Township works with Kankaska County Road Commission to pave and repair its roads.

The ***fire fund*** provides funding to the fire and rescue department for both operational and equipment needs.

The ***trash pickup fund*** is used to pay a contractor to collect and dispose of residential trash.

The nonmajor ***improvement revolving fund*** uses rents and royalties to fund any type of improvements in the Township.

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

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

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

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

# Township of Blue Lake

## Notes to the Financial Statements

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

### ***Budgets***

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

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

For budgetary purposes appropriations lapse at fiscal year end.

### ***Capital Assets***

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

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

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

### ***Compensated Absences***

The Township provides no compensated absences for its employees.

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

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and / or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are

# Township of Blue Lake

## Notes to the Financial Statements

returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

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

	<u>Taxable Value</u>	<u>Millage Rate</u>
General Operating	\$ 98,199,000	0.8123
Trash Pickup	98,199,000	0.4000
Fire Operations	98,199,000	1.0000
Highway Improvement	98,199,000	1.2000
Hospital	98,199,000	1.6000

### ***Net Position***

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

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

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

### ***Fund Equity***

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

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

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

*Committed* – amounts that are committed for specific purposes by the Board, as the Township’s highest level of decision-making authority, pursuant to constraints imposed by formal actions taken, such as a majority vote or resolution. These committed amounts cannot be used for any

# Township of Blue Lake

## Notes to the Financial Statements

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other purpose unless the Board removes or changes the specific use through the same type of formal action taken to establish the commitment.

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

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

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

### *Use of Estimates*

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

### *Comparative Data / Reclassifications*

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

# Township of Blue Lake

## Notes to the Financial Statements

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

All funds had positive fund balances at June 30, 2015.

Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended June 30, 2015, the Township had one expenditure in excess of appropriations.

<u>Fund</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>General</b>			
Treasurer	\$ 23,363	\$ 24,371	\$ (1,008)

### NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

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

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

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

## Township of Blue Lake

### Notes to the Financial Statements

7. In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

#### *Types of Deposits and Investments*

Cash and cash equivalents are reported in the financial statements as follows:

	<b>Governmental Activities</b>
Statement of Net Position	
Cash & Cash Equivalents	\$ 808,199
Statement of Fiduciary Net Position	
Cash & Cash Equivalents	10,058
	\$ 818,257

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Township’s deposits may not be returned to it. State law does not require, and the Township does not have a deposit policy for, custodial credit risk. The carrying amounts of the Township’s deposits with financial institution were \$818,257 and the Bank Balance was \$825,275. The balance is categorized as follows:

	Bank Balance
Amount Insured by the FDIC	\$ 279,215
Amount Uncollateralized and Uninsured	546,060
	\$ 825,275

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

Capital assets of governmental activities consisted of the following at June 30, 2015:

	June 30, 2014	Additions	Reductions	June 30, 2015
<b>Governmental Activities - Capital Assets</b>				
Capital Assets not Being Depreciated - Land	\$ 1,705	-	-	1,705
<b>Capital Assets Being Depreciated</b>				
Buildings	505,525	-	-	505,525
Vehicles & Equipment	811,319	6,118	-	817,437
<b>Total Capital Assets Being Depreciated</b>	1,316,844	6,118	-	1,322,962
<b>Less Accumulated Depreciation</b>				
Buildings	152,107	13,060	-	165,167
Vehicles & Equipment	437,528	44,136	-	481,664
<b>Total Accumulated Depreciation</b>	589,634	57,196	-	646,830
<b>Total Capital Assets - Governmental Activities</b>	\$ 728,915	\$ (51,078)	\$ -	\$ 677,837

## Township of Blue Lake

### Notes to the Financial Statements

Intangible assets at June 30, 2015 consisted of major improvements to roads owned & maintained by Kalkaska County.

<b>Governmental Activities - Intangible Assets</b>	<u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>
Road Improvements	1,262,323	76,349	-	1,338,672
Less Accumulated Ammortization:	262,788	65,979	-	328,767
<b>Total Intangible Assets - Governmental Activities</b>	<b>\$ 999,535</b>	<b>\$ 10,370</b>	<b>\$ -</b>	<b>\$ 1,009,905</b>

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

<b>Governmental Activities</b>	
General Government	\$ 10,948
Public Safety	46,248
Public Works	65,979
<b>Total Governmental Activities</b>	<b>\$ 123,175</b>

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

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

##### ***Eligibility Requirements***

1. Attained age of 18.
2. No minimum service requirement.
3. All Township officials and employees earnings over \$500 annual compensation.
4. Thirteen employees were eligible for the 2012-2014 plan year.

##### ***Contributions***

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

##### ***Vesting***

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

# Township of Blue Lake

## Notes to the Financial Statements

### *Plan Administration*

1. The plan is administered by Municipal Retirement Systems, Inc. During the year of audit, the total Township contributions paid for the plan year, August 20, 2014 to August 19, 2015, were \$8,565.

### **NOTE 6 – INTERFUND BALANCES & TRANSFERS**

As of June 30, 2015 fiduciary funds owed the general fund \$10,000 for an interfund loan used to keep the current interest-earning checking account open. Bank regulations require a minimum balance of \$10,000 to avoid penalties.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Fiduciary Tax Fund	\$ 10,000

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

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

\$82,618 of 2014 property taxes and \$8,806 of 2014 property tax administration fees were received from Blue Lake Gas/ANR Storage and Pipeline. This represents approximately 24% of the total combined 2014 property taxes and property tax administration fees.

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

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

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**Township of Blue Lake**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
				<u>Final to Actual</u>
<b>Revenues</b>				
Taxes	\$ 121,775	\$ 121,775	\$ 118,309	\$ (3,466)
Licenses & Permits	600	600	2,435	1,835
State Revenue Sharing	41,000	41,000	52,057	11,057
Charges for Services	4,800	4,800	4,928	128
Interest & Rents	500	500	739	239
Other	350	350	1,692	1,342
<b>Total Revenues</b>	<u>169,025</u>	<u>169,025</u>	<u>180,160</u>	<u>11,135</u>
<b>Other Financing Sources</b>				
<b>Total Revenues and Other Financing Sources</b>	<u>169,025</u>	<u>169,025</u>	<u>180,160</u>	<u>11,135</u>
<b>Expenditures</b>				
<b>Legislative - Township Board</b>	35,208	35,208	31,222	3,986
<b>General Government</b>				
Supervisor	17,273	17,273	12,103	5,170
Elections	10,034	10,034	5,250	4,784
Assessor	18,563	18,563	14,453	4,110
Clerk	21,048	21,048	17,359	3,689
Board of Review	1,760	1,760	1,023	737
Township Hall	27,250	27,250	23,225	4,025
Treasurer	23,363	23,363	24,371	(1,008)
<b>Total General Government</b>	<u>119,291</u>	<u>119,291</u>	<u>97,784</u>	<u>21,507</u>
<b>Public Safety - Sheriff Contract</b>	11,000	11,000	10,845	155
<b>Community &amp; Economic Development</b>				
Planning Board	8,000	8,000	2,795	5,205
Zoning Administrator	14,690	14,690	7,631	7,059
<b>Total Community &amp; Economic Development</b>	<u>22,690</u>	<u>22,690</u>	<u>10,426</u>	<u>12,264</u>
<b>Health &amp; Welfare - Hospital</b>	1,940	1,940	1,754	186
<b>Total Expenditures</b>	<u>190,129</u>	<u>190,129</u>	<u>152,031</u>	<u>38,098</u>
<b>Other Financing Uses</b>				
Transfers to Other Funds	75,000	75,000	75,000	--
<b>Total Expenditures and Other Financing Uses</b>	<u>265,129</u>	<u>265,129</u>	<u>227,031</u>	<u>38,098</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>(96,104)</u>	<u>(96,104)</u>	<u>(46,871)</u>	<u>49,233</u>
<b>Net Change in Fund Balance</b>	<u>(96,104)</u>	<u>(96,104)</u>	<u>(46,871)</u>	<u>49,233</u>
<b>Fund Balance at Beginning of Period</b>	319,961	319,961	319,961	--
<b>Fund Balance at End of Period</b>	<u>\$ 223,857</u>	<u>\$ 223,857</u>	<u>\$ 273,090</u>	<u>\$ 49,233</u>

**Township of Blue Lake**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Fire**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Positive (Negative) Final to Actual</b>
<b>Revenues</b>				
Taxes	\$ 101,884	\$ 101,884	\$ 102,161	\$ 277
Interest & Rents	650	650	711	61
Other	--	--	1,637	1,637
<b>Total Revenues</b>	<u>102,534</u>	<u>102,534</u>	<u>104,509</u>	<u>1,975</u>
<b>Other Financing Sources</b>				
<b>Total Revenues and Other Financing Sources</b>	<u>102,534</u>	<u>102,534</u>	<u>104,509</u>	<u>1,975</u>
<b>Expenditures</b>				
Public Safety	87,025	87,025	81,998	5,027
Capital Outlay	20,000	20,000	6,118	13,882
<b>Total Expenditures</b>	<u>107,025</u>	<u>107,025</u>	<u>88,116</u>	<u>18,909</u>
<b>Other Financing Uses</b>				
<b>Total Expenditures and Other Financing Uses</b>	<u>107,025</u>	<u>107,025</u>	<u>88,116</u>	<u>18,909</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>(4,491)</u>	<u>(4,491)</u>	<u>16,393</u>	<u>20,884</u>
<b>Net Change in Fund Balance</b>	<u>(4,491)</u>	<u>(4,491)</u>	<u>16,393</u>	<u>20,884</u>
<b>Fund Balance at Beginning of Period</b>	246,145	246,145	246,145	--
<b>Fund Balance at End of Period</b>	<u>\$ 241,654</u>	<u>\$ 241,654</u>	<u>\$ 262,538</u>	<u>\$ 20,884</u>

**Township of Blue Lake**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Trash Pickup**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Positive (Negative) Final to Actual</b>
<b>Revenues</b>				
Taxes	\$ 40,554	\$ 40,554	\$ 40,562	\$ 8
State Revenue Sharing	--	--	300	300
Interest & Rents	50	50	122	72
<b>Total Revenues</b>	<u>40,604</u>	<u>40,604</u>	<u>40,984</u>	<u>380</u>
<b>Other Financing Sources</b>				
<b>Total Revenues and Other Financing Sources</b>	<u>40,604</u>	<u>40,604</u>	<u>40,984</u>	<u>380</u>
<b>Expenditures</b>				
Public Works - Contracted Services	44,700	44,700	44,400	300
<b>Total Expenditures</b>	<u>44,700</u>	<u>44,700</u>	<u>44,400</u>	<u>300</u>
<b>Other Financing Uses</b>				
<b>Total Expenditures and Other Financing Uses</b>	<u>44,700</u>	<u>44,700</u>	<u>44,400</u>	<u>300</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>(4,096)</u>	<u>(4,096)</u>	<u>(3,416)</u>	<u>680</u>
<b>Net Change in Fund Balance</b>	<b>(4,096)</b>	<b>(4,096)</b>	<b>(3,416)</b>	<b>680</b>
<i>Fund Balance at Beginning of Period</i>	49,532	49,532	49,532	--
<b>Fund Balance at End of Period</b>	<u>\$ 45,436</u>	<u>\$ 45,436</u>	<u>\$ 46,116</u>	<u>\$ 680</u>

**Township of Blue Lake**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Highway Improvement**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Positive (Negative) Final to Actual</b>
<b>Revenues</b>				
Taxes	\$ 122,360	\$ 122,360	\$ 122,595	\$ 235
State Revenue Sharing	2,000	2,000	3,572	1,572
Interest & Rents	75	75	308	233
<b>Total Revenues</b>	<u>124,435</u>	<u>124,435</u>	<u>126,475</u>	<u>2,040</u>
<b>Other Financing Sources</b>				
<b>Total Revenues and Other Financing Sources</b>	<u>124,435</u>	<u>124,435</u>	<u>126,475</u>	<u>2,040</u>
<b>Expenditures</b>				
Public Works	50,100	50,100	33,355	16,745
Capital Outlay	100,000	100,000	76,349	23,651
<b>Total Expenditures</b>	<u>150,100</u>	<u>150,100</u>	<u>109,704</u>	<u>40,396</u>
<b>Other Financing Uses</b>				
<b>Total Expenditures and Other Financing Uses</b>	<u>150,100</u>	<u>150,100</u>	<u>109,704</u>	<u>40,396</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>(25,665)</u>	<u>(25,665)</u>	<u>16,771</u>	<u>42,436</u>
<b>Net Change in Fund Balance</b>	<u>(25,665)</u>	<u>(25,665)</u>	<u>16,771</u>	<u>42,436</u>
<b>Fund Balance at Beginning of Period</b>	124,765	124,765	124,765	--
<b>Fund Balance at End of Period</b>	<u>\$ 99,100</u>	<u>\$ 99,100</u>	<u>\$ 141,536</u>	<u>\$ 42,436</u>

## **OTHER SUPPLEMENTARY INFORMATION**

**Township of Blue Lake**  
**2014 Property Tax Levy and Collections Schedule**  
**For the Year Ended June 30, 2015**

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>
County	5.4562	\$ 553,340	\$ 553,340
County Transit	0.2500	25,349	25,349
Commission on Aging	0.5000	50,704	50,704
Commission on Aging Extra	0.5000	50,704	50,704
County Library	0.2500	25,349	25,349
Sportsplex	0.7300	74,028	74,028
Hospital	1.6000	162,261	162,261
Animal Control / Recycle	0.2500	25,349	25,349
County Roads	1.0000	101,412	101,412
Kallis Operational	0.2500	25,349	25,349
State Education	6.0000	439,115	439,115
School District	21.1700	1,332,632	1,332,632
Intermediate School District	2.9312	297,265	297,265
Township			
General	0.8123	82,374	82,374
Trash Pickup	0.4000	40,562	40,562
Fire Operations	1.0000	101,412	101,412
Highway Improvement	1.2000	121,695	121,695
Total		<u>\$ 3,508,900</u>	<u>\$ 3,508,900</u>

December 18, 2015

To the Township Board  
Township of Blue Lake, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Blue Lake (the "Township") for the year ended June 30, 2015. 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 September 2, 2015. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year 2015. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, 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 December 18, 2015.

### *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 Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

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

## **Other Matters**

We applied certain limited procedures to management's discussion and analysis and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the property tax levy and collections schedule, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

## **Communication Regarding Internal Control**

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

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

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

**Restriction on Use**

This information is intended solely for the use of the Township Board of Trustees and management of the Township 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