

Blue Lake Township

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)
Year ended March 31, 2013

Blue Lake Township

List of Elected Officials

Supervisor: Melonie Arbogast
Clerk: Lisa Knop
Treasurer: Debbie Therrian
Trustee: Donald Studaven
Trustee: Lyle Monette

Blue Lake Township

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INDEPENDENT AUDITOR'S REPORT

July 29, 2013

To Township Board
Blue Lake Township
Twin Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Blue Lake Township as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

Opinion

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 Blue Lake Township, as of March 31, 2013, and the respective changes in financial position, 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 on pages 3–8 and 24–26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Blue Lake Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Lake Michigan CPA Services, PLLC

Ludington, Michigan
July 29, 2013

BLUE LAKE TOWNSHIP
Muskegon County, Michigan

Management's Discussion and Analysis

Using this Annual Report

As management of Blue Lake Township, we offer readers of Blue Lake Township's financial statements, this narrative overview and analysis of financial activities for the year ended March 31, 2013. The Township is presenting this analysis along with the financial statements in a format prescribed by the provisions of the Governmental Accounting Standards Board Statement 34 (GASB 34). The annual report consists of a series of financial statements, including the Statement of Net Assets and the Statement of Activities, which provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements are also included, which tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Financial Highlights

The assets of Blue Lake Township exceeded its liabilities at the close of the March 31, 2013 fiscal year by \$1,498,029 (net position). The net assets increased \$23,249 over the prior year net assets.

Overview of the Financial Statements

The Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to give a view of the entity as a whole. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities and charges.

BLUE LAKE TOWNSHIP
Muskegon County, Michigan

Management's Discussion and Analysis

The Statement of Net Assets is the Township-wide statement of financial position presenting information that includes all of the Township's assets and liabilities, with the difference reported as net assets. Over time, changes in net assets may serve as a useful indicator of the financial health of the Township and whether the financial condition is improving or deteriorating.

The Statement of Activities reports how the Township's net assets changed during the current fiscal year. All current year revenues and expenses are included when the event giving rise to the change occurs, regardless of the timing of when cash is received or paid. The Statement of Activities is designed to help show the financial reliance of the Township's distinct activities or functions on revenues provided by the Township's taxpayers and intergovernmental revenues.

Fund Financial Statements.

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with related laws and regulations. Within the basic financial statements, the fund financial statements focus on the Township's most significant funds, rather than the Township as whole. Major funds are separately reported while all others are combined into an aggregated presentation. Blue Lake Township has several governmental funds, but has no business-type funds. The Township's General Fund, Fire Operations Funds, and Fire Equipment Fund are considered major funds for the 2013 fiscal year.

The Township has two types of funds as noted below:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Township's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the fiscal year.

Budgetary comparisons for the General Fund, Fire Operations Fund and the Fire Equipment Fund are found at the end of this report. These schedules demonstrate compliance with the Township's adopted and final revised budget.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide financial reporting, as they are used to account for resources held for the benefit of parties other than the Township. Fiduciary fund

BLUE LAKE TOWNSHIP
Muskegon County, Michigan

Management's Discussion and Analysis

financial statements report resources that are not available to fund Township programs. Fiduciary fund financial statements report similarly to proprietary funds.

Notes to the Financial Statements.

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

Government-wide Financial Analysis

The net position of the Township may be used as an indicator of a government's overall financial position. As of March 31, 2013, the Township's net position from governmental activities totaled \$1,498,029 which was an increase over the net assets of \$1,474,780 at March 31, 2012. The net position of the Township include assets which are invested in capital assets (i.e., buildings, land, equipment, etc.). These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Net position invested in capital assets, of which there is no related debt, totaled \$612,336 at March 31, 2013. Restricted net assets were \$309,909. The unrestricted net assets at March 31, 2013 depicted a fund balance of \$575,784. The unrestricted fund balance represents the amount of discretionary resources that can be used for general governmental operations. The following table presents a summary of the government-wide statement of net assets:

	March 31, 2013	March 31, 2012	Increase/ (Decrease)
Current assets	\$ 889,514	\$ 806,580	\$ 82,934
Noncurrent assets	612,336	688,678	(76,342)
Total Assets	<u>1,501,850</u>	<u>1,495,258</u>	<u>6,592</u>
Current liabilities	3,821	20,478	(16,657)
Net Assets			
Invested in Capital Assets	612,336	688,678	(76,342)
Restricted	309,909	289,373	20,536
Unrestricted	575,784	496,729	79,055
Total Net Assets	<u>\$ 1,498,029</u>	<u>\$ 1,474,780</u>	<u>\$ 23,249</u>

BLUE LAKE TOWNSHIP
Muskegon County, Michigan

Management's Discussion and Analysis

The change in governmental activities' net position showed an increase of \$23,249 during the 2013 fiscal year. The following table summarizes the governmental statement of activities for the years ended March 31, 2013 and 2012:

Revenues	<u>3/31/2012</u>	<u>3/31/2012</u>
Program Revenues		
Charges for services	\$ 24,474	\$ 26,172
Operating grants and contributions	2,857	2,769
Capital grants and contributions	7,312	-
General Revenues		
Taxes	315,132	326,148
Grants and contributions not restricted	174,246	210,591
Unrestricted investment earnings	2,192	2,041
Miscellaneous	28,513	4,547
Total Revenue	<u>554,726</u>	<u>572,268</u>
 Expenses		
General government	206,196	212,063
Public safety	291,365	218,976
Public works	18,334	19,781
Community & economic development	15,582	17,366
Culture & recreation	-	134
Total Expenses	<u>531,477</u>	<u>468,320</u>
Increase in Net Assets	23,249	103,948
Net Assets, April 1	<u>1,474,780</u>	<u>1,370,832</u>
Net Assets, March 31	<u>\$ 1,498,029</u>	<u>\$ 1,474,780</u>

Fund Financial Analysis

The General Fund reported an ending fund balance of \$373,563, of which \$349,128 was unassigned for continuing Township service requirements, \$11,855 was nonspendable in form, and \$12,580 was committed for Brown's Pond expenditures. The fund balance of the General Fund inclined \$51,708 over the prior year.

The Fire Operations Fund increased \$15,278 during the 2013 fiscal year, bringing the restricted fund balance to \$127,793.

The Fire Equipment Fund reported an ending fund balance of \$293,021, all of which is restricted for future Fire Department equipment purchases.

BLUE LAKE TOWNSHIP
Muskegon County, Michigan

Management's Discussion and Analysis

General Fund Budgetary Highlights

The Township's originally adopted General Fund budget for the March 31, 2013 fiscal reflected planned revenues of \$261,170. Within the adopted expenditure budget, the Township planned spending of \$237,602 and transfers out of \$15,000. The budget was amended with expected revenues of \$268,180; expenditures of \$252,748 and transfers out of \$30,000. The Township experienced a positive budget variance of \$66,276.

Capital Assets

The Township's total investment in capital assets as of March 31, 2013 was \$612,336. The investment in capital assets includes buildings and improvements; Fire Department equipment, general equipment, and roads. Current year capital asset additions totaled \$22,543. The following table depicts the composition of capital assets of the Township as of March 31, 2013 and 2012:

	<u>3/31/2013</u>	<u>3/31/2012</u>
Nondepreciable		
Land	55,317	35,517
Depreciable		
Buildings and improvements	376,122	375,447
Fire equipment	1,164,129	1,162,061
Equipment and furniture	63,321	63,321
Roads	<u>88,756</u>	<u>88,756</u>
Total capital assets	1,692,328	1,689,585
Less: Accumulated Depreciation	<u>(1,135,309)</u>	<u>(1,036,424)</u>
Capital assets, net of accumulated depreciation	\$ <u><u>612,336</u></u>	\$ <u><u>688,678</u></u>

Long-term debt

The Township has no long-term debt.

General Economic Overview

Blue Lake Township plans to maintain its financial stability over the course of the next fiscal year. The two main sources of revenue for the Township are property taxes and state shared revenue which, when combined, are expected to remain at about the same level as what was experienced in the current fiscal year. Expenditures are planned to remain consistent with the 2013 fiscal year.

BLUE LAKE TOWNSHIP
Muskegon County, Michigan

Management's Discussion and Analysis

Requests for Information

This financial report is designed to provide a general overview of the Blue Lake Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Blue Lake Township, 1491 Owasippe Road, Twin Lake, Michigan.

Blue Lake Township

Statement of Net Position
March 31, 2013

ASSETS

	Governmental activities
CURRENT ASSETS	
Cash and investments	\$ 796,126
Receivables	32,947
Due from other governmental units	26,902
Prepaid expenses	32,424
Inventory	1,115
Total current assets	<u>889,514</u>
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	55,317
Depreciable	557,019
Total noncurrent assets	<u>612,336</u>
Total assets	<u>\$ 1,501,850</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accrued liabilities	\$ 2,899
Escrow deposits	922
Total liabilities	<u>3,821</u>
NET POSITION	
Invested in capital assets	612,336
Restricted	309,909
Unrestricted	575,784
Total net assets	<u>\$ 1,498,029</u>

The accompanying notes are an integral part of this statement.

Blue Lake Township
Statement of Activities
For the year ended March 31, 2013

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets
Governmental activities:	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities
General government	\$ 206,196	\$ 742	\$ -	\$ -	\$ (205,454)
Public safety	291,365	21,552	-	7,312	(262,501)
Public works	18,334	2,180	2,857	-	(13,297)
Community and economic development	15,582	-	-	-	(15,582)
Total government	\$ 531,477	\$ 24,474	\$ 2,857	\$ 7,312	\$ (496,834)
General revenues					
Property taxes, levied for general purposes					90,370
Property taxes, levied for specific purposes					224,762
Grants and contributions, not restricted to specific programs					174,246
Unrestricted investment earnings					2,192
Miscellaneous					28,513
Total general revenues					520,083
Change in net position					23,249
Net position at April 1, 2012					1,474,780
Net position at March 31, 2013					\$ 1,498,029

The accompanying notes are an integral part of this statement.

Blue Lake Township

Balance Sheet
Governmental Funds
March 31, 2013

ASSETS

	<u>General Fund</u>	<u>Fire Operations Fund</u>	<u>Fire Equipment Fund</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
Cash and investments	\$ 328,725	\$ 94,398	\$ 284,239	\$ 88,764	\$ 796,126
Receivables					
Taxes and special assessments	4,349	9,913	7,434	2,103	23,799
Other	5,553	1,798	1,348	449	9,148
Due from other governmental units	26,902	-	-	-	26,902
Prepaid expenses	10,740	21,684	-	-	32,424
Inventory	1,115	-	-	-	1,115
Total assets	<u>\$ 377,384</u>	<u>\$ 127,793</u>	<u>\$ 293,021</u>	<u>\$ 91,316</u>	<u>\$ 889,514</u>

LIABILITIES AND FUND BALANCES

LIABILITIES					
Accrued liabilities	\$ 2,899	\$ -	\$ -	\$ -	\$ 2,899
Escrow deposits	<u>922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>922</u>
Total assets	3,821	-	-	-	3,821
FUND BALANCES					
Nonspendable	11,855	21,684	-	-	33,539
Restricted	-	-	293,021	16,888	309,909
Committed	12,580	-	-	-	12,580
Assigned	-	-	-	66,242	66,242
Unassigned	<u>349,128</u>	<u>106,109</u>	<u>-</u>	<u>8,186</u>	<u>463,423</u>
Total fund balances	<u>373,563</u>	<u>127,793</u>	<u>293,021</u>	<u>91,316</u>	<u>885,693</u>
Total liabilities and fund balances	<u>\$ 377,384</u>	<u>\$ 127,793</u>	<u>\$ 293,021</u>	<u>\$ 91,316</u>	<u>\$ 889,514</u>

The accompanying notes are an integral part of this statement.

Blue Lake Township

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
March 31, 2013

Total fund balance—governmental funds \$ 885,693

Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets used in governmental activities
are not financial resources and therefore are not
reported in the governmental funds.

Cost of capital assets	\$ 1,747,645	
Accumulated depreciation	<u>(1,135,309)</u>	612,336

Net assets of governmental activities in the
Statement of Net Position \$ 1,498,029

The accompanying notes are an integral part of this statement.

Blue Lake Township

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended March 31, 2013

	General Fund	Fire Operations Fund	Fire Equipment Fund	Other governmental funds	Total governmental funds
REVENUES					
Property taxes	\$ 67,084	\$ 128,436	\$ 96,326	\$ 23,286	\$ 315,132
Special assessments	-	-	-	2,180	2,180
Intergovernmental revenues - state	174,246	2,330	-	2,857	179,433
Local contributions	-	-	4,982	-	4,982
Charges for services	221	3,500	-	521	4,242
Licenses and permits	18,052	-	-	-	18,052
Investment earnings	1,844	38	214	96	2,192
Other	24,496	4,017	-	-	28,513
Total revenues	285,943	138,321	101,522	28,940	554,726
EXPENDITURES					
Current:					
General government	167,891	-	-	24,419	192,310
Public safety	17,381	123,043	70,786	-	211,210
Public works	2,706	-	-	10,784	13,490
Community and economic development	15,582	-	-	-	15,582
Capital outlay	675	-	2,068	19,800	22,543
Total expenditures	204,235	123,043	72,854	55,003	455,135
Excess of revenues over expenditures	81,708	15,278	28,668	(26,063)	99,591
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	30,000	30,000
Transfers out	(30,000)	-	-	-	(30,000)
	(30,000)	-	-	30,000	-
Net change in fund balances	51,708	15,278	28,668	3,937	99,591
Fund balance at April 1, 2012	321,855	112,515	264,353	87,379	786,102
Fund balance at March 31, 2013	\$ 373,563	\$ 127,793	\$ 293,021	\$ 91,316	\$ 885,693
					122,134

The accompanying notes are an integral part of this statement.

Blue Lake Township

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of the governmental funds to the Statement of Activities
For the year ended March 31, 2013

Net changes in fund balances - total governmental funds \$ 99,591

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 those assets
is allocated over their estimated useful lives and reported as
depreciation expense.

Capital outlay	22,543
Depreciation expense	(98,885)

Change in net position of governmental activities	\$ <u>23,249</u>
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The accompanying notes are an integral part of this statement.

Blue Lake Township
Notes to the Financial Statements
March 31, 2013

I. Summary of significant accounting policies

The accounting policies of Blue Lake Township have been adopted to conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by Blue Lake Township.

A. Reporting entity

Blue Lake Township is a general law township located in Muskegon County, which operates under the direction of a five member elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The Township has several governmental funds, three of which are considered major funds and three of which do not meet the criteria for special revenue funds under Governmental Accounting Standard 54 and have been included with the General Fund.

Blue Lake Township
Notes to the Financial Statements
March 31, 2013

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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.

Property and other 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Blue Lake Township
Notes to the Financial Statements
March 31, 2013

Blue Lake Township 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 Fire Operations Fund accounts for charges for services and property taxes levied for fire operations and expenditures for the Fire Department.

The Fire Equipment Fund is used to account for property taxes levied for the acquisition of equipment for the fire department and expenditures for fire equipment.

Additionally, the township reports the following fund type:

The tax collection agency fund accounts for all of the tax collection payments and disbursements to Blue Lake Township and other governmental units.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as needed.

Blue Lake Township
Notes to the Financial Statements
March 31, 2013

D. Assets, liabilities and net assets or equity

1. Deposits and investments

The township'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.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

All trade and property tax receivables are shown net of allowance for uncollectibles. The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Property taxes are levied on December 1 on the taxable valuation of real and personal property (as defined by state statutes) located in the Township as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2012 state taxable value for property within the Township totaled approximately \$63,709,139. The property tax levied consisted of .9403 mills for the Township's operating purposes, 2 mills for fire operations, an 1.5 mills for fire equipment. The tax revenue is recorded in the Township's General Fund, Fire Operations Fund, and Fire Equipment Fund, respectively.

Blue Lake Township
Notes to the Financial Statements
March 31, 2013

3. Capital assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 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 estimated fair market 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 assets lives are not capitalized.

Property, plant and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-50
Fire Department equipment	5-15
Roads	15-50
Vehicles	5-20
Equipment, furniture & fixtures	5-20

4. Fund Equity

In the fund financial statements, governmental funds report fund balance in one of the following categories:

Nonspendable fund balances are not spendable in form and are required to be maintained intact.

Restricted fund balances are amounts that are constrained to a specific purpose through enabling legislation.

Committed fund balances are constrained to a specific purpose by the township through an act of its highest decision-making authority, the Township Board.

Assigned fund balances represent amounts that the Township intends to use for a specific purpose.

Unassigned fund balances are amounts that are available for any purpose.

Blue Lake Township
Notes to the Financial Statements
March 31, 2013

5. 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.

II. Stewardship, compliance and accountability

Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year end.

The township supervisor prepares the budget and submits it to the Township Board prior to March 31. The operating budget includes proposed expenditures and the means of financing them. A public hearing is held at the Township Hall to obtain taxpayer comments. Prior to the end of the fiscal year, the Township Board enacts the budget through a resolution. The budget is amended throughout the year, when required to provide for additional revenues and expenditures. The appropriated budget is prepared by fund and function. Transfers of appropriations between functions require the approval of the Township Board. The legal level of budgetary control is the function level.

III. Detailed notes on all funds

A. Deposits and investments

Interest Rate Risk

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The Township's investment policy does not further limit its investment options.

Blue Lake Township
Notes to the Financial Statements
March 31, 2013

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Township 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. The Township does not have a concentration of credit risk policy.

Custodial Credit Risk

Custodial credit risk in the case of deposits 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. As of March 31, 2013, \$450,505 of the Township's deposits were covered by federal depository insurance and \$345,621 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Foreign currency risk

The Township is not authorized to invest in securities which have this type of risk.

B. Receivables

The Township's receivables in the funds consisted of \$23,799 in taxes and special assessments receivable from Muskegon County, \$4,449 in payments in lieu of taxes receivable, \$4,699 in other receivables and \$26,902 due from the State of Michigan for state shared revenue.

Blue Lake Township
Notes to the Financial Statements
March 31, 2013

C. Capital assets

Capital asset activity for the year ended March 31, 2013 was as follows:

	Balance April 1, 2012	Additions	Deletions	Balance March 31, 2013
Capital assets, not being depreciated:				
Land	\$ 35,517	\$ 19,800	\$ -	\$ 55,317
Capital assets, being depreciated:				
Buildings and improvements	375,447	675	-	376,122
Fire equipment	1,162,061	2,068	-	1,164,129
Equipment and office furniture	63,321	-	-	63,321
Roads	88,756	-	-	88,756
Total capital assets, being depreciated:	<u>1,689,585</u>	<u>2,743</u>	<u>-</u>	<u>1,692,328</u>
Less accumulated depreciation	<u>1,036,424</u>	<u>98,885</u>	<u>-</u>	<u>1,135,309</u>
Total capital assets, being depreciated, net	<u>653,161</u>	<u>(96,142)</u>	<u>-</u>	<u>557,019</u>
Total governmental capital, net	<u>\$ 688,678</u>	<u>\$ (76,342)</u>	<u>\$ -</u>	<u>\$ 612,336</u>

Depreciation expense was charged to the following governmental functions:

General government	\$ 13,886
Public safety	80,155
Public works	4,844
	<u>\$ 98,885</u>

D. Interfund receivables, payables, and transfers

Interfund transfers during the 2013 fiscal year consisted of the following for operating purposes:

<u>Fund Transferring Out</u>	<u>Receiving Fund</u>	<u>Amount</u>
General Fund	Capital Improvement	<u>\$30,000</u>

Blue Lake Township
Notes to the Financial Statements
March 31, 2013

E. Other information

1. 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; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

2. Contingent liabilities

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 Township expects such amounts, if any, to be immaterial.

3. Litigation, claims and assessments

The Township currently is involved in a potential wrongful discharge claim by a former employee. The outcome of this potential claim is uncertain.

F. Economic dependency

The Township relies on the State of Michigan Shared Revenue program to fund a portion of its current governmental operations. For the year ended March 31, 2013, the state revenue was approximately 32% of total governmental revenue.

G. Date of management review

In preparing the financial statements, the Township has evaluated events and transactions for potential recognition or disclosure through July 29, 2013, the date the financial statements were available to be issued.

Required supplementary information

Blue Lake Township

Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the year ended March 31, 2013

REVENUES	Budgeted Amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
Property taxes	\$ 67,168	\$ 68,048	\$ 67,084	\$ (964)
Intergovernmental revenues - state	171,167	171,167	174,246	3,079
Charges for services	120	520	221	(299)
Licenses and permits	13,700	25,230	18,052	(7,178)
Investment earnings	515	1,015	1,844	829
Other	8,500	2,200	24,496	22,296
Total revenues	261,170	268,180	285,943	17,763
EXPENDITURES				
Current				
General government				
Township board	73,518	79,270	67,520	11,750
Supervisor	22,208	22,208	22,034	174
Clerk	21,124	21,124	20,429	695
Treasurer	26,604	26,604	25,741	863
Building and grounds	33,514	34,764	17,742	17,022
Board of review	3,136	3,136	2,204	932
Elections	3,550	3,800	3,261	539
Other governmental functions	7,569	9,314	8,960	354
Public safety				
Building inspection	11,400	16,740	9,604	7,136
Ordinance enforcement	6,016	-	-	-
Electrical inspection	2,075	5,200	3,429	1,771
Mechanical inspection	1,275	2,600	1,743	857
Plumbing inspection	1,275	2,650	2,605	45
Public works	5,750	5,750	2,706	3,044
Community and economic development				
Planning commission	9,276	9,276	7,490	1,786
Zoning administration	8,312	8,312	8,092	220
Culture and recreation	-	-	-	-
Capital outlay	1,000	2,000	675	1,325
Total expenditures	237,602	252,748	204,235	48,513
Excess of revenues over expenditures	23,568	15,432	81,708	66,276
OTHER FINANCING USES				
Transfers out	(30,000)	(30,000)	(30,000)	-
Net change in fund balance	\$ (6,432)	\$ (14,568)	51,708	\$ 66,276
Fund balance at April 1, 2012			321,855	
Fund balance at March 31, 2013			\$ 373,563	

Blue Lake Township

Required Supplementary Information
 Budgetary Comparison Schedule
 Fire Operations Fund
 For the year ended March 31, 2013

	Budgeted Amounts		Actual	Variance with final budget- positive (negative)
REVENUES	Original	Final		
Property taxes	\$ 133,824	\$ 133,824	\$ 128,436	\$ (5,388)
State grant	-	-	2,330	2,330
Charges for service	3,500	3,500	3,500	-
Investment earnings	100	100	38	(62)
Other	-	-	4,017	4,017
Total revenues	137,424	137,424	138,321	897
 EXPENDITURES				
Fire operations	130,500	138,350	123,043	15,307
Net change in fund balance	\$ 6,924	\$ (926)	15,278	\$ 16,204
Fund balance at April 1, 2012			112,515	
Fund balance at March 31, 2013			\$ 127,793	

Blue Lake Township

Required Supplementary Information
 Budgetary Comparison Schedule
 Fire Equipment Fund
 For the year ended March 31, 2013

	Budgeted Amounts		Actual	Variance with final budget- positive (negative)
REVENUES	Original	Final		
Property taxes	\$ 100,366	\$ 100,366	\$ 96,326	\$ (4,040)
Local contributions	2,225	2,225	4,982	2,757
Investment earnings	300	300	214	(86)
Total revenues	102,891	102,891	101,522	(1,369)
 EXPENDITURES				
Fire equipment	232,225	230,000	72,854	157,146
Net change in fund balance	\$ (129,334)	\$ (127,109)	28,668	\$ 155,777
Fund balance at April 1, 2012			264,353	
Fund balance at March 31, 2013			\$ 293,021	

Other supplemental information

Blue Lake Township

Combining Balance Sheet
Other Governmental Funds
March 31, 2013

ASSETS

ASSETS	Special Revenue Funds				Capital Projects Fund	Total other governmental funds
	Street Lights Fund	Property Tax Administration Fund	Cemetery Fund	Metro Act Fund	Capital Improvement Fund	
	Cash and investments	\$ 1,499	\$ 64,220	\$ 12,861	\$ 1,998	
Taxes receivable	-	1,573	-	-	-	1,573
Special assessments receivable	530	-	-	-	-	530
Other receivables	-	449	-	-	-	449
Total assets	\$ 2,029	\$ 66,242	\$ 12,861	\$ 1,998	\$ 8,186	\$ 91,316

FUND BALANCES

FUND BALANCES						
Restricted	2,029	-	12,861	1,998	-	16,888
Assigned	-	66,242	-	-	-	66,242
Unassigned	-	-	-	-	8,186	8,186
Total fund balances	\$ 2,029	\$ 66,242	\$ 12,861	\$ 1,998	\$ 8,186	\$ 91,316

The accompanying notes are an integral part of this statement.

Blue Lake Township

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the year ended March 31, 2013

	Special Revenue Funds				Capital Projects Fund	Total other governmental funds
	Street Lights Fund	Property Tax Administration Fund	Cemetery Fund	Metro Act Fund	Capital Improvement Fund	
REVENUES						
Special assessments	\$ 2,180	\$ -	\$ -	\$ -	\$ -	\$ 2,180
Property taxes	-	23,286	-	-	-	23,286
Intergovernmental revenues - state	-	-	-	2,857	-	2,857
Charges for services	-	-	521	-	-	521
Investment earnings	3	46	15	8	24	96
Total revenues	2,183	23,332	536	2,865	24	28,940
EXPENDITURES						
Current:						
General government	-	19,759	2,932	-	1,728	24,419
Public works	2,488	-	-	8,296	-	10,784
Capital outlay	-	-	-	-	19,800	19,800
Total expenditures	2,488	19,759	2,932	8,296	21,528	55,003
Excess of revenues over expenditures	(305)	3,573	(2,396)	(5,431)	(21,504)	(26,063)
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	30,000	30,000
Net change in fund balances	(305)	3,573	(2,396)	(5,431)	8,496	3,937
Fund balance at April 1, 2012	2,334	62,669	15,257	7,429	(310)	87,379
Fund balance at March 31, 2013	\$ 2,029	\$ 66,242	\$ 12,861	\$ 1,998	\$ 8,186	\$ 91,316

The accompanying notes are an integral part of this statement.



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July 29, 2013

Blue Lake Township
Twin Lake, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Blue Lake Township for the year ended March 31, 2013, and we have issued our report thereon dated July 29, 2013. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope previously communicated to you.

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 Blue Lake Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the 2013 fiscal year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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.

Difficulties Encountered in Performing the Audit

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

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations July 29, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Comments and Recommendations

We noted in a separate letter that the Township relies on its external auditors to prepare the GAAP compliant financial statements. This is typical in a small governmental entity with limited resources.

This information is intended solely for the use of the Township Board and management of Blue Lake 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 "Lake Michigan CPA Services, PLC". The signature is written in dark ink and is positioned above the typed name of the firm.

Lake Michigan CPA Services, PLC
July 29, 2013

July 29, 2013

To the Township Board
Blue Lake Township
Twin Lake, Michigan

In planning and performing our audit of the financial statements of Blue Lake Township as of and for the year ended March 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Blue Lake Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing my opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 misstatements on a timely basis. A material weakness is a significant 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, detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

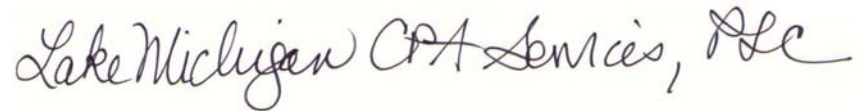
A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in Blue Lake Township's internal control to be a significant deficiency:

The Township relies on its external auditors to prepare the government-wide financial statements and footnotes in accordance with GAAP, which cannot be considered a component of the Township's internal control system. In addition, the external auditors have proposed, with management approval, material journal entries to the financial records.

Due to the small size of the entity and limited amount of resources, the Township has determined that it is more cost effective to have its annual financial statements prepared in accordance with GAAP by its external auditors rather than to incur the expense of training or hiring an expert in governmental accounting to complete this task. This results in an incomplete system of internal controls. However, due to limited resources,

the Township will continue to rely on its auditors to prepare the year-end financial reports as required by the State of Michigan, but review and approve all journal entries and oversee the final presentation of the financial statements.

This communication is intended solely for the information and use of management, the Township Board, and others within the Township, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Lake Michigan CPA Services, PLLC". The signature is written in a cursive, flowing style.

Ludington, Michigan
July 29, 2013