Michigan Deptartment of Treasury
496 (2-04)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type	Local Government Name	County
☐ City ☐ Township ☐ Village ☑ Other	BEAR LAKE - PLEASANTON AREA UTILITY AU	Manistee

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
3/31/04	7/7/04	9/30/04

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.

2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

☐ Yes ☑ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☐ Yes ☑ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☐ Yes ☑ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ Yes ☑ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ Yes ☑ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☐ Yes ☑ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

☐ Yes ☑ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).

☐ Yes ☑ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

☐ Yes ☑ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)			
Wilson Ward CPA Firm			
Street Address	City	State	ZIP
PO Box 205	Interlochen	MI	49643
Accountant Signature		Date	
Wilson Ward CPA Firm		9/30/04	

WILSON, WARD CPA FIRM
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July 7, 2004

Mr. Don Shreve, Superintendent
Bear Lake - Pleasanton Area Utilities Authority
Bear Lake, Michigan

Sir:

The cooperative attitude was greatly appreciated. This attitude is reflected in the constant desire to do a better and more complete job and in providing enhanced services to the community.

The primary purpose of this letter is to prepare, for management, information which delineates those items encountered during the course of the audit which were either not related to the financial, internal control and compliance reports or were not material enough to comment on relative to them. However, these items might be significant when viewed from a management perspective or in the longer term. This letter is intended only for the use of management and any other parties not informed of these matters might misconstrue their meanings.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with general accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Bear Lake - Pleasanton Area Utilities Authority. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Bear Lake - Pleasanton Area Utilities Authority are listed in Note A. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into the Bear Lake - Pleasanton Area Utilities Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

Management Judgements and Accounting Estimates

Some accounting estimates are utilized in 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. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Bear Lake - Pleasanton Area Utilities Authority that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

COMMENT: The Authority is in the initial stages of formation and as such there is very little activity, however that activity which we audited was in order.

It is always a pleasure to work with you and the Board. Thank you for your time and effort.

It is important to remember that this report is for information only and provided to management with the sole intent that it can be evaluated with the potential to improve management practices and insure proper compliance with the bond covenants.

Sincerely,

David E Wilson CPA

David E Wilson

BEAR LAKE - PLEASANTON AREA UTILITIES AUTHORITY

BEAR LAKE, MICHIGAN

Audit Report

For Year Ended
March 31, 2004

Wilson, Ward CPA Firm
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BEAR LAKE - PLEASANTON AREA UTILITIES AUTHORITY
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INTRODUCTORY SECTION

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Bear Lake - Pleasanton Area
Utilities Authority
Bear Lake, MI

We have audited the financial statements of Bear Lake - Pleasanton Area Utilities Authority as of and for the year ended March 31, 2004 and have issued our report thereon dated July 7, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Bear Lake - Pleasanton Area Utilities Authority's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bear Lake - Pleasanton Area Utilities Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Bear Lake - Pleasanton Area Utilities Authority, in a separate letter dated July 7, 2004.

This report is intended solely for the information and use of the management, others within the organization, the Utilities Board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wilson Ward CPA Firm

Interlochen, MI
July 7, 2004

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board
Bear Lake - Pleasanton Area
Utilities Authority
Bear Lake, Michigan

We have audited the accompanying statement of net assets, activities, of Bear Lake - Pleasanton Area Utilities Authority as of and for the year March 31, 2004, which collectively comprise Bear Lake - Pleasanton Area Utilities Authority basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bear Lake - Pleasanton Area Utilities Authority management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective of the governmental activities, and the aggregate remaining fund information of Bear Lake - Pleasanton Area Utilities Authority , as of March 31, 2004, and the respective changes in financial position where applicable, thereof and the budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis and required budgetary comparison information identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards,* we have also issued a report dated July 7, 2004 on our consideration of Bear Lake - Pleasanton Area Utilities Authority internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Wilson Ward CPA Firm

Interlochen, MI
July 7, 2004

BEAR LAKE - PLEASANTON AREA UTILITIES AUTHORITY

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authoritie's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide financial statements.

The Authority as a Whole:

The Authority was formed on July 2, 2002 but did not begin financial operations until the 2003 and 2004 fiscal year.

This year was the first year for the implementation of GASB 34 with the resulting changes in the financial position as reflected on the Balance Sheet and Statement of Net Assets.

The Authority's Funds

The financial statements provide detail information. The Authority Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities.

General Fund Budgetary Highlights:

Over the course of the year the Authority Board was able to maintain the Authority departments within their prescribed budgets

General Overview of the Authority in the 2003-2004 Fiscal Year:

On November 12, 2003 the Village of Bear Lake, who was originally part of the initial formation of the Utility Authority, officially withdrew from the authority leaving only Bear Lake Township and Pleasanton Township as members.

Contacting the Authority's Management:

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at (231) 864-3492.

BEAR LAKE - PLEASANTON AREA
UTILTIES AUTHORITY
STATEMENT OF NET ASSETS - BALANCE SHEET
AS OF MARCH 31, 2004

ASSETS	
Cash	$2,145
Accounts Receivable	1,791
Total Assets	3,936
LIABILITIES & EQUITY/NET ASSETS	
Due to other Governments	3,250
Total Liabilities	3,250
Equity/Net Assets	686
Total Liabilities & Equity/Net Assets	$3,936

The footnotes are an integral part of these financial statements

BEAR LAKE - PLEASANTON AREA
UTILTIES AUTHORITY
STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUE
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2004

REVENUE	
Contributions from area	$29,655
Interest	11
Total Revenue	29,666
EXPENDITURES	
Professional Services	22,228
Legal	6,752
Misc	0
Total Expenditures	28,980
EXCESS REVENUE OVER EXPENDITURES	686
BEGINNING FUND BALANCE/RETAINED EARNINGS	0
ENDING FUND BALANCE/RETAINED EARNINGS	$686

The footnotes are an integral part of these financial statements

BEAR LAKE - PLEASANTON AREA
UTILTIES AUTHORITY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2004

Cash Flow From Operating Activities	
Operating Income	$686
Changes in Assets and Liabilities	
(Increase)Decrease in Accounts Receivable	(1,791)
Increase(Decrease) in Accounts Payable	3,250
	1,459
Net Cash Provided by Operating Activities	2,145
Cash at Beginning of Year	0
Cash at End of Year	$2,145

The footnotes are an integral part of these financial statements

BEAR LAKE - PLEASANTON AREA UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
March 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Bear Lake - Pleasanton Area Utilities Authority is organized to construct, maintain and manage a sewage disposal system and water supply system for Bear Lake Township and the Pleasanton Township. As required by Governmental Accounting Standards, all other entities were reviewed to insure which should be included in this report. GASB Statement #1 requires that if certain oversight responsibility occurs, that subordinate entity activity should be noted in this report. Oversight responsibility is evidenced by:

Selection of governing authority
Designation of management
Ability to significantly influence operations
Budgetary authority
Responsibility to fund deficits or receive surplus funds
Fiscal management
Providing significant subsidies

Based on the above criteria, no other organization should be included in this report.

Basis of Presentation

The financial activities of the Authority are recorded as an Enterprise (Proprietary) Fund. This fund reports operations that provide services which are financed primarily by user charges and where periodic measurement of net income is appropriate for capital maintenance and management control. This year, the Authority came under the requirements of GASB 34.

Basis of Accounting

The financial statements reflect the full accrual basis of accounting with revenue recorded when earned and expenditures recorded as the liability is incurred.

Inventories

It is the Authority's policy to take a physical inventory of major items every year. A physical inventory was not taken this year with adjustments to value from the physical inventory based on a first in, first out basis at cost because there were no changes to major items in inventory.

Depreciation

The depreciation expense for the year was $0 and is calculated on a straight line basis based on the life of the assets. Lives vary from 5 to 40 years. Depreciation is commenced in the year following acquisition.

NOTE B - DEPOSITS WITH FINANCIAL INSTITUTIONS

Legal or Contractual Provisions for Deposits and Investments

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Authority by which Treasurers may invest funds and includes the following:

a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
d) Repurchase agreements consisting of instruments listed in subdivision (a).
e) Bankers' acceptances of United States banks.
f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
g) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 USC 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
    i) The purchase of securities on a when-issued or delayed delivery basis.
    ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
    iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
h) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967.
i) Investment pools organized under the the surplus funds investment pool act, 1982 PA 367.
j) The investment pools organized under the local government investment pool act, 1985 PA 121. In bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States, in which the principal and interest is fully guaranteed by the United States.

Deposits
At the year end investments and deposits were as follows:

CASH	Balance Per Bank	Carrying Value
Insured	$ 2,145	$ 2,145
Total Deposits	$ 2,145	$ 2,145

NOTE C - ACCOUNTS RECEIVABLE

The accounts receivable represents operating revenues due to the Authority from third parties and the participating agencies at year end.

NOTE D - PROPERTY, PLANT AND EQUIPMENT

There are no assets as of yet.

NOTE E - LONG TERM DEBT

There is no Long Term Debt as of yet.

NOTE F - RELATED PARTIES

The Bear Lake - Pleasanton Area Utilities Authority was created by the Bear Lake Township and Pleasanton Township to provide sewer services for the two municipalities. The two units will bill and collect charges to the public for private use of the system. The Authority in turn will bill the municipalities for use and debt service fees. The two municipalities are ultimately responsible for the operation and debt of the Authority.

NOTE G - USE OF ESTIMATES

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

NOTE H - CONTINGENT LIABILITIES

There are no contingent liabilities as of yet.

NOTE I - EXPENDITURES IN EXCESS OF APPROPRIATIONS

Public Act 621 of 1978, requires that a municipality shall not incur expenditures in excess of the monies appropriated. There are no expenditures in excess of their respective budget.

NOTE J - RISK MANAGEMENT

All liabilities and property are insured through the Michigan Municipal Liability and Property Pool.

NOTE K - COMPENSATED ABSENCES

There are no compensated absences or post retirement benefits.

NOTE L - PENSION BENEFITS

The only pension available is a Plan to which the Board contributes a fixed amount to each SEP each year. This amount is determined annually at the discretion of the Board and is not a defined benefit or defined contribution plan.