

Cedar Lake Improvement Board

Audited Financial Statements

Year Ended December 31, 2021

Contents

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet	12
Reconciliation of Total Governmental Fund Balances of Net Position of Governmental Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balance	14
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	15
Notes to Financial Statements	16
Required Supplementary Information	
Budgetary Comparison Schedules	26

Independent Auditor's Report

To the Board of Directors
Cedar Lake Improvement Board
Alcona County and Iosco County, Michigan

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and the General Fund information of the Cedar Lake Improvement Board (the "Board"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the General Fund of the Board, as of December 31, 2021, and the respective changes in financial position, and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Straley Kamp & Kraenzlein P.C.

January 13, 2023

Cedar Lake Improvement Board

Management's Discussion and Analysis

As management of the Cedar Lake Improvement Board, Alcona County and Iosco County, Michigan (the "Board"), a lake management and weed control special assessment district, we offer the reader of the financial statements this narrative overview and analysis of the financial activities of the Board for the fiscal year ended December 31, 2021. Please read it in conjunction with the financial statements and related footnotes, which follow this section.

Financial Highlights

- The assets of the Cedar Lake Improvement Board exceeded its liabilities at the close of the most recent fiscal year by \$460,326 (*net position*). Of this amount, \$249,563 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Cedar Lake Improvement Board's total net position increased by \$19,026 for the year ended December 31, 2021.
- The Cedar Lake Improvement Board collected \$112,650 in special assessment revenues during the year ended December 31, 2021.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$249,563 in comparison to \$227,834 at the close of the prior year, an increase of \$21,729.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Cedar Lake Improvement Board's basic financial statements. The Cedar Lake Improvement Board's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other 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 Cedar Lake Improvement Board's finances, like a private-sector business.

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

The *statement of activities* presents information showing how the government'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., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Cedar Lake Improvement Board that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Cedar Lake Improvement Board include public works.

Cedar Lake Improvement Board

Management's Discussion and Analysis

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Cedar Lake Improvement Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Board currently only has one fund, the General Fund, which is a governmental fund.

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.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Cedar Lake Improvement Board maintains one governmental fund. 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, which is considered a major 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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, presenting a budgetary comparison schedule for the General Fund.

Cedar Lake Improvement Board

Management's Discussion and Analysis

Condensed Financial Information

The following table shows key financial information in a condensed format:

<u>Statement of Net Position</u>	December 31,	
	2021	2020
Assets		
Current assets	\$ 257,153	\$ 230,984
Capital assets	210,763	213,466
Total assets	<u>467,916</u>	<u>444,450</u>
Liabilities		
Current liabilities	7,590	3,150
Total liabilities	<u>7,590</u>	<u>3,150</u>
Net Position		
Invested in capital assets	210,763	213,466
Unrestricted	249,563	227,834
Total net position	<u>\$ 460,326</u>	<u>\$ 441,300</u>

Unrestricted net position, the part of net position that can be used to finance day-to-day operations of the Authority, totals \$249,563. Unrestricted net position increased during the year by \$21,729 as a result of a slight increase in the special assessment captured and a decrease in the contracted expenses, resulting in revenues exceeding the current year expenditures. Total assets exceeded liabilities by \$460,326 at year-end.

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Cedar Lake Improvement Board

Management's Discussion and Analysis

<u>Statement of Activities</u>	Year Ended December 31,	
	2021	2020
Revenues		
General Revenues		
Special Assessment	\$ 112,650	\$ 110,312
Investment earnings	803	2,316
Total revenues	113,453	112,628
Program Expenses		
Public Works	94,427	145,836
Change in Net Position	19,026	(33,208)
Net Position - beginning of the year	441,300	474,508
Net Position - end of the year	<u>\$ 460,326</u>	<u>\$ 441,300</u>

Revenue and Expenditures

Special assessment collections continue to be our largest source of revenue. The total number of parcels collected on had increased slightly for the fiscal year 2021, however, that was offset by the decrease in the interest received.

Governmental activities expenditures experienced a decrease of \$51,409 during the current fiscal year because of decreased spending for aquatic treatment projects over the year. These types of expenditures fluctuate from year to year depending on the need and the available funding.

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the Board's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Cedar Lake Improvement Board's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority's General Fund reported an ending unassigned fund balance of \$249,563, which was an increase of \$21,729 in comparison with the prior year. This amount constitutes an *unassigned fund balance*, all of which is available for spending at the government's discretion.

Cedar Lake Improvement Board

Management's Discussion and Analysis

General Fund Budgetary Highlights

The original and final budget included public works expenditures of \$114,745 which only \$91,724 has been expended in the current fiscal year. The Board provided \$91,724 public works services for the year ended December 31, 2021. There were no significant amendments made between the Board's original and final budget.

Capital Asset Administration

Capital Assets. The Authority's investment in capital assets for its governmental type activities as of December 31, 2021 amounts to \$210,763 (net of accumulated depreciation). This investment in capital assets includes land and land improvements.

<u>Governmental Activities</u>	December 31,	
	2021	2020
Historical Cost:		
Land	\$ 178,833	\$ 178,833
Land improvements	40,548	40,548
	219,381	219,381
Accumulated depreciation	(8,618)	(5,915)
Net capital assets	<u>\$ 210,763</u>	<u>\$ 213,466</u>

The Cedar Lake Improvement Board had no additions or disposals in the current year and depreciation expense of \$2,703 for the year ended December 31, 2021.

Long-Term Obligations

The Board has no long-term outstanding indebtedness at December 31, 2021 or 2020.

Cedar Lake Improvement Board

Management's Discussion and Analysis

Economic Factors and Next Year's Budgets and Rates

The Board continues to seek new lake improvement projects that will have a positive impact on the longevity of the lake. The following are upcoming for the Board will be working on in the upcoming year:

The Cedar Lake Improvement Board is involved in various aquatic improvement projects which include herbicide treatment, purchase of additional property, demolition of a building, and improving the corresponding watersheds related to the lake level.

During the current fiscal year, the unassigned fund balance in the general fund began the 2021/2022 fiscal year at \$249,563. Per the Board of Directors, the Board looks to maintain a minimum fund balance of 10% of expenses. The Cedar Lake Improvement Board is well within those prescribed limits with its carry forward fund balance.

Requests for Information

This financial report is designed to provide a general overview of the Cedar Lake Improvement Board's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Cedar Lake Improvement Board Treasurer, PO Box 53, Greenbush, MI 48738-0053.

BASIC FINANCIAL STATEMENTS

Cedar Lake Improvement Board

Statement of Net Position

December 31, 2021

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 257,153
Capital assets	
Assets not being depreciated	178,833
Assets being depreciated (net)	<u>31,930</u>
Total assets	<u>467,916</u>
Liabilities	
Current liabilities	
Accounts payable	2,190
Advances - Special Assessments	<u>5,400</u>
Total liabilities	<u>7,590</u>
Net Position	
Invested in capital assets	210,763
Unrestricted	<u>249,563</u>
Total net position	<u><u>\$ 460,326</u></u>

Cedar Lake Improvement Board

Statement of Activities

For the Year Ended December 31, 2021

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Functions/Programs:					
Governmental Activities:					
Public works	\$ 94,427	\$ -	\$ -	\$ -	\$ (94,427)
General revenues:					
Special Assessment					112,650
Investment earnings					803
Total general revenues					<u>113,453</u>
Change in net position					19,026
Net position, beginning of the year					<u>441,300</u>
Net position, end of the year					<u><u>\$ 460,326</u></u>

Cedar Lake Improvement Board

Governmental Fund -
Balance Sheet

December 31, 2021

	<u>General Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 257,153</u>
Liabilities	
Accounts payable	\$ 2,190
Deferred Inflows of Resources	
Advances - Special Assessments	5,400
Fund Balances	
Unrestricted	<u>249,563</u>
Total liabilities and fund balances	<u>\$ 257,153</u>

Cedar Lake Improvement Board

Governmental Fund - Reconciliation of Total
Governmental Fund Balances to Net Position of Governmental Activities

December 31, 2021

Fund balances - total governmental funds \$ 249,563

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 not reported in the governmental funds.

Governmental capital assets	\$ 219,381	
Less accumulated depreciation	<u>(8,618)</u>	
		210,763

Total net position - governmental activities \$ 460,326

Cedar Lake Improvement Board

Governmental Fund -
Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended December 31, 2021

	<u>General Fund</u>
Revenues	
Special Assessment	\$ 112,650
Interest and rents	803
	<hr/>
Total revenues	113,453
	<hr/>
Expenditures	
Public works	91,724
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Net Change in Fund Balance	21,729
Fund Balance , beginning of the year	227,834
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Fund Balance , end of the year	<u>\$ 249,563</u>

Cedar Lake Improvement Board

Governmental Funds - Reconciliation of the Statement of
Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the Year Ended December 31, 2021

Net change in fund balances - total governmental funds	\$ 21,729
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Depreciation expense	<u>(2,703)</u>
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Change in net position of governmental activities	<u><u>\$ 19,026</u></u>
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Cedar Lake Improvement Board

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The accounting policies of the Cedar Lake Improvement Board (the “Board”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the Authority’s accounting policies are described below:

A. Description of Operations

The Board is an entity situated within both the County lines of both Alcona and Iosco Counties which are located in the northeastern region of the lower peninsula of Michigan. The Board was created through County resolutions by Alcona County and Iosco County pursuant to the Natural Resources and Environmental Protection Act Public Act 451 of 1994 Part 309. The governing body of the Board consists of seven members including both County Drain Commissioner’s, a representative from Iosco County, Alcona County, Greenbush Township, and Oscoda Township, and a citizen representative. The citizen representative acts as the Board Chairman and executive officer.

The financial statements of the Board have been prepared in accordance with accounting principals generally accepted (GAAP) in the United States of America as applied to governmental units. All activities over which the Board exercises oversight responsibility have been included in the reporting entity. Oversight responsibility is determined by factors such as financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters of the entity.

B. Reporting Entity

The Board provides services to its citizens in the public works. Revenues for these services are provided chiefly through a special assessment captured within the special assessment district. A reporting unit is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Board consists of all funds, departments, boards, and agencies that are not legally separate from the Authority.

Component units are legally separate organizations for which the Board is financially accountable. The primary government is financially accountable if it appoints a voting majority of an organization’s governing body and (1) it is able to impose its will on that organization for (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

In addition, the primary government is also financially accountable if an organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (1) separately elected governing board, (2) a governing board appointed by a high level of government, of (3) a jointly appointed board. The Board does not have any component units.

C. Basis of Presentation

The Board’s basic financial statements consist of government-wide financial statements, including a statement of net position and statement of activities, and fund financial statements which provide a more detailed level of financial information.

Cedar Lake Improvement Board

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

C. Basis of Presentation (continued)

Government-Wide Financial Statements:

The statement of net position and the statement of activities display information about the Board as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the governmental activities of the Board at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Board's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Board, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Board.

D. Fund Accounting

The Board uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental Fund:

Governmental funds are those which all the governmental functions of the Board are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the major governmental fund of the board:

General Fund – This fund accounts for all financial resources. Revenues are derived primarily from the special assessment levied and interest income.

E. Measurement Focus

Government-Wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus.

All assets and all liabilities associated with the operations of the Board are included on the statement of net position.

Cedar Lake Improvement Board

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

F. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unavailable revenues as deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Nonexchange Transactions:

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recognized in the year in which the resources will be measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough to be used to pay liabilities of the current year. For the Board, available means expected to be received within 60 days after year end.

Nonexchange transactions, in which the Board receives value without directly giving equal value in return, including grants, entitlements, and donations. Revenues from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Board must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the Board's revenue sources are considered both measurable and available at year end.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Expense/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measured. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Cedar Lake Improvement Board

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

G. Financial Statement Amounts

Cash and Cash Equivalents: For purposes of these financial statements, cash equivalents include cash on hand, demand deposits, money market accounts, and all other highly liquid deposits with maturities of three months or less.

Receivables: Receivables have been recognized for all significant amounts due to the Board. Receivables generally consist of special assessments. All receivables are net of estimated uncollectible accounts. Receivables are recognized to the extent the amounts are determined material and substantiated, not only by supporting documentation but also by a reasonable systematic method of determining their existence, completeness, valuation, and collectability.

The allowance for doubtful accounts at December 31, 2021 was \$0.

Capital Assets: Capital assets, which include property, plant, equipment are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 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.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for reports and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line method over the following useful lives:

Land Improvements – 15 years
Buildings and Improvements - 40 years
Office and Computer Equipment - 5 to 7 years

Accrued Liabilities and Long-term Obligations: All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Position: The net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed for a particular purpose. Restrictions are imposed by external organizations, creditors, grantors or laws and regulations of other governments. Unrestricted net position consists of all other net position that does not meet the definition of the above components and is available for general use by the Board.

The Board's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Cedar Lake Improvement Board

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

G. Financial Statement Amounts (continued)

Fund Balance. In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The following classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used.

- *Nonspendable fund balance* – amounts that are not in a spendable form (such as prepaid items) or are required to be maintained intact;
- *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- *Committed fund balance* – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint;
- *Assigned fund balance* – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- *Unassigned fund balance* – amounts that are available for any purpose; positive amounts are reported on in the General Fund.

When both restricted and unrestricted resources are available for use, the Board uses externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Use of Estimate: The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. 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.

Reclassifications: Certain items reported in the 2020 financial statements may have been reclassified to conform to the presentation for the current year.

Note 2. Stewardship, Compliance, and Accountability

Budgetary Information. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Budgets and Budgetary Accounting. The Board normally follows these procedures in establishing the budgetary data reflected in the financial statements:

Cedar Lake Improvement Board

Notes to Financial Statements

Note 2. Stewardship, Compliance, and Accountability (continued)

- Prior to December 1st, the Board Chairman submits a proposed operating budget to the Board for the fiscal year commencing the following January 1. This operating budget includes proposed expenditures and the means of financing them.
- A Public hearing is conducted to obtain taxpayer comments.
- Prior to January 1, the budget is legally enacted through passage of resolution.
- All budget appropriations lapse at year-end. Budgetary amounts reported herein are as originally adopted, and as amended by the Board throughout the operating year.

Annual budgets are prepared and adopted for all required governmental fund types. The budgets of the Board are prepared on the same basis of accounting as the financial statement presentation. The legal level of control is at the functional level. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the Board. The financial statements include budgetary amounts as amended.

Excess of Expenditures Over Appropriations in Budgeted Funds: The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. Minor immaterial violations, if any, are noted in the required supplementary information section (RSI).

Note 3. Deposits and Investments

At year-end, the Board's deposits and investments were reported in the basic financial statement in the following categories:

Cash and Cash Equivalents	<u>\$ 257,153</u>
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The breakdown between deposits and investments is as follows:

Bank Deposits (checking accounts)	<u>\$ 257,153</u>
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Interest Rate Risk: In accordance with its investment policy, the Board will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Board's cash requirements.

Credit Risk: State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of December 31, 2021, the Board did not have any investments with ratings below prime.

Cedar Lake Improvement Board

Notes to Financial Statements

Note 3. Deposits and Investments (continued)

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

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the Board's deposits may not be returned to it. As of December 31, 2021, \$7,153 of the Board's bank balance of \$257,153 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Foreign Currency Risk: The Board's investment policy does not address foreign currency risk.

Investments: The Board has adopted an investment policy in accordance with Act 196. P.A. 1997 which authorizes the Board to deposit and invest in the following:

- Accounts of federally insured banks, credit unions and savings and loan associations
- Bonds and other direct obligations of the United States of an agency or instrumentality of the United States
- United States government or federal agency obligation repurchase agreements
- Banker's acceptances of United States banks
- Commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase
- Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Board's deposits and investments are in accordance with statutory authority.

Cedar Lake Improvement Board

Notes to Financial Statements

Note 4. Capital Assets

Capital asset activity of the local governmental unit for the current year was as follows:

	Balance 1/1/2021	Additions	Disposals	Balance 12/31/2021
Capital assets not being depreciated:				
Land	\$ 178,833	\$ -	\$ -	\$ 178,833
Capital assets being depreciated:				
Land improvements	40,548	-	-	40,548
Less accumulated depreciation:				
Land improvements	(5,915)	(2,703)	-	(8,618)
Net capital assets	<u>\$ 213,466</u>	<u>\$ (2,703)</u>	<u>\$ -</u>	<u>\$ 210,763</u>

Depreciation was charged to functions/programs of the Authority as follows:

Governmental activities:	
Public Works	<u>\$ 2,703</u>

Note 5. Special Assessment

Properties included in the special assessment district were assessed as of September 25, 2020 to include a total of 751 parcels. The said special assessment is for \$1,500 per parcel, for which will be divided into ten annual installments, and shall be due and payable on or before December 1st of each year. The taxes are due on February 14 with the final collection date of February 28 before they are added to the delinquent County of Alcona and County of Iosco tax rolls. This resulted in \$66,300 of which was collected from Greenbush Township (County of Alcona) and \$46,350 of which was collected from the Charter Township of Oscoda (Iosco County). In addition to these collections, it was noted that \$5,400 is paid in advance.

Note 6. Risk Management

The Board is exposed to various risks of loss related to property loss, torts, errors, and omissions. The Board has retained the risk of loss for all such claims. There may be various legal actions pending or threatened against the Board from time to time. Due to the inconclusive nature of these actions, it is not possible to determine, in the aggregate, the total ultimate liability, if any. It is the policy of the Board to record a liability for any potential loss when the loss is probable and an amount can be reasonably estimated. No claims have risen to such a level in the past three fiscal years. The estimated potential liability as of December 31, 2021 is \$0.

Cedar Lake Improvement Board

Notes to Financial Statements

Note 7. Subsequent Events

Management has evaluated subsequent events through January 11, 2023, the date on which the financial statements were available to be issued.

At the July 15, 2022 special meeting, the board authorized the purchase of the Jones Creek & Wetland property for \$153,411.

REQUIRED SUPPLEMENTARY INFORMATION

Cedar Lake Improvement Board

Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Budget and Actual

For the Year Ended December 31, 2021

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Operating Revenue				
Special Assessment	\$ -	\$ 112,950	\$ 112,650	\$ (300)
Interest and rents	-	1,795	803	(992)
Total operating revenues	-	114,745	113,453	(1,292)
Expenditures				
Public works	-	114,745	91,724	(23,021)
Net Change in Fund Balance	-	-	21,729	(23,021)
Fund Balance, beginning of year	227,834	227,834	227,834	-
Fund Balance, end of year	<u>\$ 227,834</u>	<u>\$ 227,834</u>	<u>\$ 249,563</u>	<u>\$ (23,021)</u>

Communication with Those Charged with Governance

To the Board of
Directors
Cedar Lake Improvement Board
Alcona County and Iosco County, Michigan

We have audited the financial statements of the governmental activities, and the General Fund information of the Cedar Lake Improvement Board (the “Board”) for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), 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 November 22, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Cedar Lake Improvement Board 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 2021. We noted no transactions entered into by the Board during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management’s estimate of the depreciation expense is based on management’s assumptions about the useful lives of its fixed assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgement, such uncorrected misstatements are immaterial to the financial statements under audit. 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 January 13, 2023.

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 Board'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 Board'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 the management's discussion and analysis and budgetary comparison information which are required supplementary information (RSI) that supplement 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.

Restriction on Use

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

We appreciate the opportunity to serve the Board. If you have any questions, or if we can be of further service, please feel free to contact us.

Very truly yours,

Straley Lamp & Kraenzlein P.C.

January 13, 2023



Matters for Management's Consideration

To the Board of Directors
Cedar Lake Improvement Board
Alcona County and Iosco County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, and the General Fund information of the Cedar Lake Improvement Board's (the "Board") as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Cedar Lake Improvement Board's internal control over financial reporting (internal control) as a basis for designing 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 considered Cedar Lake Improvement Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Cedar Lake Improvement Board's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

Material Weaknesses

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. We consider the following deficiencies in internal control to be material weaknesses:

Finding Number 2021-001: Internal Control Over Financial Reporting - Financial Statement Preparation

The Board is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of financial statements requires having in place, internal controls over recording, processing, reconciling, and preparing financial statements. The Board has relied on its independent external auditors to assist in preparing the financial statements, related footnotes, and assist in the Management's Discussion and Analysis as part of its external financial reporting process. Accordingly, the Board has placed reliance on its external auditors who cannot be considered a part of the Board's internal controls.

Finding Number 2021-001: Internal Control Over Financial Reporting - Financial Statement Preparation (continued)

It continues to be the decision of management that it is more cost effective to have the independent auditor's assist in the preparation of the Board's audited financial statements and related footnotes than to incur the time and expense of obtaining the necessary training and expertise required for the Board to perform this task internally. As a result of this condition, the Board lacks internal control over the financial statement preparation process and instead relied, in part, on its external auditors for assistance with this task. We would like to stress that this service is allowable under the professional code of ethics and is likely the most cost-effective method of preparing the financial statements.

Finding Number 2021-002: Internal Control Over Financial Reporting – Segregation of Duties

All governments are required to establish an internal control structure with segregation of responsibilities sufficient to provide reasonable assurance that errors (whether caused by error or fraud) will be prevented or detected by management on a timely basis. We remind you that an inherent weakness in your system of internal control exists because the limited size of your staff does not permit a complete segregation of duties. Without a complete segregation of duties, there is an increased risk that errors or fraud could occur and not be detected. As in the case with many governments of similar size, the Board lacks a sufficient number of accounting personnel involved in the financial reporting process in order to ensure a complete segregation of duties within the accounting function.

Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing the design of these controls and often have compensating controls to partially mitigate this deficiency. We recommend that management and the board continue to review financial statements and related supporting documentation, as is being conducted through board meetings.

Finding Number 2021-003: Internal Control Over Financial Reporting – Failure to Timely Reconcile Bank Accounts

Preparation of timely and accurate bank reconciliations is an integral component of the Board's internal control structure. Bank reconciliations should be prepared in a timely matter with a documented review as required by the Michigan Department of Treasury. Bank reconciliations were not reconciled in a timely matter. This could cause significant reconciling adjustments within the accounting system well beyond what would be consider not timely information for management decisions. The Board did not maintain an internal control structure and related oversight that allowed for timely bank reconciliations. In addition, there was no review of bank reconciliations outside of the individual reconciling the bank accounts.

The Board was unable to meet Michigan Department of Treasury requirements related to timely bank reconciliations, in addition to timely information that was not available to decision makers. We recommend the Board implement internal control procedures that will require bank reconciliations be completed in a timely and accurate manner (no later than six weeks after the end of the month). Additionally, bank reconciliations should be reviewed and approved by someone who is not included in the reconciliation process.

Finding Number 2021-004: Internal Control Over Financial Reporting and Noncompliance with Laws and Regulations - Failure to meet State of Michigan Audit Submission Deadline (Noncompliance)

Public Act 2 of 1968 requires the Board to file its audit reporting package with the State of Michigan – Local Audit and Finance Division within six months after the end of the Board’s fiscal year as of December 31, 2021. Prior to Michigan Department of Treasury letter dated July 1, 2022, the Board had no knowledge that they were required to have separately issued financial statements to comply with the State of Michigan financial reporting laws. A lack of internal controls and related oversight of the accounting function caused the Board to not recognize the compliance requirement.

Internal controls related to the monitoring compliance requirements of the Board to produce timely and accurate financial information is crucial to the success of the Board. The knowledge base required for accurate and timely financial reporting is significant. We encourage management to continually monitor the Board’s ability to provide timely and accurate financial information and devote additional resources as early as possible when deemed necessary.

Finding Number 2021-005: Internal Control Over Financial Reporting and Noncompliance with Laws and Regulations - Failure to Comply with the Uniform Budgeting Statutes

The Michigan Department of Treasury Uniform Budget Manual requires that the Board approve its fiscal budget prior to the start of the fiscal year in order to have general appropriations and estimated revenues before the year starts. Without timely approval of budgets, decision makers may not have the necessary information in order to make educated financial decisions.

We recommend the board adopt budgeting policies and procedures that ensures the Board implements an internal control system that follows all Michigan budgeting statutes and guidance. The control should also include quarterly financial and budget reports, as required by the State of Michigan Accounting Manual. It is recommended the board implement this recommendation and approve its original budget prior to the start of the fiscal year and make its final amendments before year end. In addition, it is recommended the board review the budget on a quarterly basis, at a minimum.

Other Matters

During our audit, we also became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency:

Finding Number 2021-006: Internal Control Over Financial Reporting – General Ledger Structure and Detail

The Board’s current financial software does not adequately track the various expenditures and revenues in separate accounts in accordance with the Michigan Department of Treasury Uniform Chart of Accounts. The reality is this is a very small organization with a limited number of transactions. All activity is currently lumped into a singular revenue and expenditure account. The board does track a detailed breakdown for their budget to actual comparisons, however, this too does not meet all of the requirements of the Uniform Chart of Accounts. There is currently no formal documented reconciliation process between the board breakdown and the accounting general ledger.

Finding Number 2021-006: Internal Control Over Financial Reporting – General Ledger Structure and Detail (continued)

We recommend that the board adopt policies and procedures that ensures the Board implements an internal control system that follows the Michigan Department of Treasury Uniform Chart of Accounts Implementation requirements. The control should also implement a method to document the reconciliation process between the detailed subsidiary ledger and the accounting software. We are available to assist the Board with implementation of controls to address this issue.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various government unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Cedar Lake Improvement Board's written response to the material weaknesses and other matter identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Straley Kamp & Kraenzlein P.C.

January 13, 2023

Schedule of Findings and Responses

Finding Number 2021-001: Internal Control Over Financial Reporting - Financial Statement Preparation – Material Weakness

Management's Response and Corrective Action Plan: Like many other governmental organizations, management has made an ongoing evaluation of the respective costs and benefits of obtaining internal knowledge versus utilizing external resources for the preparation of the financial statements. As with many organizations, the Board has determined that the additional benefits derived from implementing such an internal system would not outweigh the costs of utilizing external resources. Management will continue to review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Finding Number 2021-002 – Internal Control Over Financial Reporting – Segregation of Duties – Material Weakness

Management's Response and Corrective Action Plan: The Board recognizes the importance of segregation of duties as a critical element of internal controls. The Board also recognizes that a complete segregation of duties would be cost prohibitive. It is the intent of the Board and management to use its resources to the best of their ability to provide segregation of duties and/or compensating internal controls whenever possible.

Finding Number 2021-003 – Internal Control Over Financial Reporting – Failure to Timely Reconcile Bank Accounts – Material Weakness

Management's Response and Corrective Action Plan: The Board recognizes the importance of timely bank reconciliations in order to provide timely and accurate financial information. The delay in the current year was exacerbated due to personal health issues surrounding the individual charged with completing the reconciliations, consequently, leading the reconciliations to not be completed in a timely manner. The Board has now implemented a system allowing for the timely completion and review of the bank reconciliations.

Finding Number 2021-004 – Internal Control Over Financial Reporting and Noncompliance with Laws and Regulations – Failure to meet State of Michigan Audit Submission Deadline – Material Weakness

Management's Response and Corrective Action Plan: Once the Board became aware of the compliance requirement, efforts were shifted towards securing an external Certified Public Accountant (“CPA”) to perform an audit for the fiscal year ended December 31, 2021 and to submit the audit report to the Department of Treasury. The Board plans to continue to utilize the CPA moving forward on a biannual basis and with other accounting items as needed. The engagement will occur timely to allow the board to meet the State of Michigan audit submission deadline moving forward.

Schedule of Findings and Responses (continued)

Finding Number 2021-005 – Internal Control Over Financial Reporting and Noncompliance with Laws and Regulations – Failure to Comply with the Uniform Budgeting Statutes – Material Weakness

Management’s Response and Corrective Action Plan: The Board Chairman has developed and is implementing a new budgeting procedure that will allow for the Board to approve budgets prior to the start of the fiscal year and any required amendments prior to the end of the fiscal year. The Board will review the budget information and will approve the budget prior to the start of the fiscal year and will review a budget report on a quarterly basis for any necessary amendments.

Finding Number 2021-006 – Internal Control Over Financial Reporting – General Ledger Structure and Detail – Other Matter

Management’s Response and Corrective Action Plan: Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing robust accounting software programs. This constraint leaves management in a position of evaluating programs that may not be optimal for governmental accounting, resulting in organizations trying to be as creative as possible with the economical options at hand. The Board has found such an option and a procedure for implementing the controls required to safeguard the financial information and to meet the new Michigan Uniform Chart of Accounts implementation deadline.