

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY

FRANKFORT, MICHIGAN

MARCH 31, 2013



Baird, Cotter & Bishop, P.C.
SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS

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CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY
FRANKFORT, MICHIGAN

MARCH 31, 2013

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June 21, 2013

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Crystal Lake Township
Benzie County
Frankfort, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crystal Lake Township, Benzie County, Frankfort, Michigan, 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 misstatements 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. According, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonable of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Crystal Lake Township, Benzie County, Frankfort, Michigan 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note IV.A to the financial statements, Crystal Lake Township implemented Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii through viii and budgetary comparison information on page 18 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.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2013

As management of Crystal Lake Township (“the Township”), we offer readers of the Township’s financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2013. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

- ❖ The assets of Crystal Lake Township exceeded its liabilities at the close of the most recent fiscal year by \$866,573 (*net position*). Of this amount, \$289,559 represents unrestricted net position, which may be used to meet the Township’s ongoing obligations to citizens and creditors.
- ❖ At the close of the current fiscal year, the Township’s governmental funds reported combined fund balances of \$659,809, an increase of \$37,817 in comparison with the prior year. Approximately 33% of this amount (\$219,443) is available for spending at the Township’s discretion (*unassigned fund balance*).
- ❖ At the end of the current fiscal year, unrestricted fund balance (the total of *committed, assigned, and unassigned* components of fund balance) for the general fund was \$289,559.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township’s basic financial statements. The Township’s basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains 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 Township’s finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents financial information on all of the Township’s assets, liabilities, and deferred inflows/outflows of resources, with the difference 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 Township is improving or deteriorating.

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

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2013

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, health and welfare, and community and economic development. The Township does not have any business-type activities.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund Financial Statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Crystal Lake Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing 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 Township maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Cemetery Fund, and Fire Fund, which are considered to be major funds.

The Township adopts an annual budget for all major funds. A budgetary comparison has been provided for all major funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3-6 of this report.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The Township maintains one type of fiduciary fund.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2013

The fiduciary fund financial statements can be found on page 7 of this report.

Notes to the Financial Statements The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 8-17 of this report.

Other Information In addition to the basic financial statements and accompanying notes, this report also presents *Required Supplementary Information* (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of Crystal Lake Township, assets exceeded liabilities by \$866,573, at the close of the most recent fiscal year.

Crystal Lake Township
Net Position as of March 31, 2013

	Governmental Activities
Assets	
Current Assets	\$ 676,999
Noncurrent Assets	
Capital Assets	310,000
Less: Accumulated Depreciation	(103,236)
Total Noncurrent Assets	206,764
Total Assets	883,763
Liabilities	
Current Liabilities	17,190
Net Position	
Net Investment in Capital Assets	206,764
Restricted for Specific Purposes	370,250
Unrestricted	289,559
Total Net Position	\$ 866,573

The largest portion of the Township's net position (43%) represents resources that are subject to external restrictions on how they may be used. Another portion of the Township's net position is investment in capital assets (e.g. land and buildings). The remaining balance of \$289,559 is unrestricted may be used to meet the government's ongoing obligations to its citizens and creditors.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2013

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net position.

Crystal Lake Township's overall net position increased by \$33,817 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for the governmental activities.

Crystal Lake Township
Change in Net Position
for the Fiscal Year Ended March 31, 2013

	Governmental Activities
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 9,657
Operating Grants and Contributions	3,065
General Revenues	
Taxes	195,267
State Grants	69,787
Interest Earnings	1,003
Other	5,503
Total Revenues	284,282
<u>Expenses</u>	
General Government	159,176
Public Safety	49,183
Public Works	1,398
Health and Welfare	11,863
Community and Economic Development	15,487
Other Functions	13,358
Total Expenses	250,465
Changes in Net Position	33,817
<u>NET POSITION</u> - Beginning of Year	832,756
<u>NET POSITION</u> - End of Year	\$ 866,573

Governmental Activities

The most significant part of the revenue for all governmental activities of Crystal Lake Township comes from taxes. The Township levied .7069 mills for operating purposes and .25 mills for fire protection.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2013

State-shared revenues are also a significant portion of the revenues for Crystal Lake Township. State-shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax.

The Township's governmental activities expenses are dominated by general government expenses that total \$159,176. Public Safety represented the next largest expense at \$49,183.

Financial Analysis of the Governmental Funds

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

Governmental Funds The focus of Crystal Lake Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Township itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Township Board.

At March 31, 2013, Crystal Lake Township's governmental funds reported combined fund balances of \$659,809, an increase of \$37,817 in comparison with the prior year. Approximately 33% of this amount (\$219,443) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form, 2) legally required to be maintained intact, 3) restricted for particular purposes (\$370,250), 4) committed for particular purposes, or 5) assigned for particular purposes (\$70,116).

General Fund – The General Fund increased its fund balance by \$2,598 which brings the fund balance to \$290,257. Of the General Fund's fund balance, \$219,443 of it is unassigned.

Fire Fund – The Fire Fund increased its fund balance by \$36,617 which brings the fund balance to \$50,119. This balance is restricted and must be used for fire protection.

The Township levied a fire millage on the 2012 tax roll. This resulted in \$35,699 in tax related revenues during the current fiscal year.

Cemetery Fund – The Cemetery Fund decreased its fund balance by \$1,398 which brings the fund balance to \$319,353. This balance is restricted and must be used for cemetery.

General Fund Budgetary Highlights

During the year, there were no changes in appropriations between the original budget and final amended budget.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2013

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Revenues	\$ 152,400	\$ 152,400	\$ 241,693
Total Expenditures	\$ 189,167	\$ 189,167	\$ 171,095

The difference between budgeted and actual revenues was mostly due to underestimating the amounts for taxes and state grants. The most significant factor in the expenditure difference was spending less than the anticipated amount for building and grounds.

Economic Condition and Outlook

It appears that state-shared revenues have stabilized. The Township continues to look for ways to improve the services it provides to its residents in a manner that is financially responsible.

This factor was considered in preparing the Township's budgets for the 2013-14 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Crystal Lake Township at P.O. Box 2129 Frankfort, MI 49635.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY
FRANKFORT, MICHIGAN

STATEMENT OF NET POSITION
MARCH 31, 2013

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 511,982
Receivables	
Taxes	7,946
External Party (Fiduciary Fund)	140,489
Due from Other Governments	16,582
	<hr/>
Total Current Assets	676,999
	<hr/>
<u>CAPITAL ASSETS</u>	
Buildings	200,000
Land	110,000
	<hr/>
	310,000
Less Accumulated Depreciation	(103,236)
Net Capital Assets	<hr/>
	206,764
	<hr/>
TOTAL ASSETS	883,763
	<hr/>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	17,190
	<hr/>
<u>NET POSITION</u>	
Net Investment in Capital Assets	206,764
Restricted for Specific Purposes	370,250
Unrestricted	289,559
	<hr/>
TOTAL NET POSITION	\$ 866,573
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY
FRANKFORT, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2013

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGES IN NET POSITION
					TOTAL GOVERNMENTAL ACTIVITIES
<u>GOVERNMENTAL ACTIVITIES</u>					
General Government	\$ 159,176	\$ 9,657	\$ 0	\$ 0	\$ (149,519)
Public Safety	49,183	0	0	0	(49,183)
Public Works	1,398	0	3,065	0	1,667
Health and Welfare	11,863	0	0	0	(11,863)
Community and Economic Development	15,487	0	0	0	(15,487)
Other Functions	13,358	0	0	0	(13,358)
TOTAL	\$ 250,465	\$ 9,657	\$ 3,065	\$ 0	(237,743)

GENERAL REVENUES

Taxes	195,267
State Grants	69,787
Interest Earnings	1,003
Other	5,503
Total General Revenues	271,560
Change in Net Position	33,817
<u>NET POSITION</u> - Beginning of Year	832,756
<u>NET POSITION</u> - End of Year	\$ 866,573

The accompanying notes are an integral part of the financial statements.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY
FRANKFORT, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2013

	GENERAL FUND	FIRE FUND	CEMETERY FUND	TOTALS
<u>ASSETS</u>				
Cash	\$ 165,833	\$ 26,796	\$ 319,353	\$ 511,982
Taxes Receivable	6,058	1,888	0	7,946
Due from Other Funds	140,489	33,811	0	174,300
Due from Other Governments	16,582	0	0	16,582
TOTAL ASSETS	\$ 328,962	\$ 62,495	\$ 319,353	\$ 710,810
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 4,894	\$ 12,296	\$ 0	\$ 17,190
Due to Other Funds	33,811	0	0	33,811
Total Liabilities	38,705	12,296	0	51,001
<u>FUND BALANCE</u>				
Restricted for				
Metro Act Right of Way Maintenance	698	0	0	698
Fire Protection	0	50,199	0	50,199
Cemetery	0	0	319,353	319,353
Assigned for Subsequent Year Budget	70,116	0	0	70,116
Unassigned	219,443	0	0	219,443
Total Fund Balance	290,257	50,199	319,353	659,809
TOTAL LIABILITIES AND FUND BALANCE	\$ 328,962	\$ 62,495	\$ 319,353	\$ 710,810

The accompanying notes are an integral part of the financial statements.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY
FRANKFORT, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
MARCH 31, 2013

Total Fund Balance for Governmental Funds	\$	659,809	
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 funds.			
Buildings	\$	200,000	
Land		110,000	
Accumulaed Depreciation		<u>(103,236)</u>	206,764
NET POSITION OF GOVERNMENTAL ACTIVITIES			<u>\$ 866,573</u>

The accompanying notes are an integral part of the financial statements.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY
FRANKFORT, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED MARCH 31, 2013

	<u>GENERAL FUND</u>	<u>FIRE FUND</u>	<u>CEMETERY FUND</u>	<u>TOTALS</u>
<u>REVENUES</u>				
Taxes	\$ 159,568	\$ 35,699	\$ 0	\$ 195,267
Licenses and Permits	3,222	0	0	3,222
State Grants	72,852	0	0	72,852
Charges for Services	0	0	6,435	6,435
Interest and Rents	548	101	354	1,003
Other Revenues	5,503	0	0	5,503
Total Revenues	<u>241,693</u>	<u>35,800</u>	<u>6,789</u>	<u>284,282</u>
<u>EXPENDITURES</u>				
General Government	128,989	0	26,187	155,176
Public Safety	0	49,183	0	49,183
Public Works	1,398	0	0	1,398
Health and Welfare	11,863	0	0	11,863
Community and Economic Development	15,487	0	0	15,487
Other Functions	13,358	0	0	13,358
Total Expenditures	<u>171,095</u>	<u>49,183</u>	<u>26,187</u>	<u>246,465</u>
Excess (Deficiency) of Revenues Over Expenditures	70,598	(13,383)	(19,398)	37,817
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In (Out)	<u>(68,000)</u>	50,000	18,000	<u>0</u>
Net Change in Fund Balance	2,598	36,617	(1,398)	37,817
<u>FUND BALANCE</u> - Beginning of Year	<u>287,659</u>	<u>13,582</u>	<u>320,751</u>	<u>621,992</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 290,257</u>	<u>\$ 50,199</u>	<u>\$ 319,353</u>	<u>\$ 659,809</u>

The accompanying notes are an integral part of the financial statements.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY
FRANKFORT, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2013

Net Change in Fund Balance - Total Governmental Funds	\$ 37,817
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the Statement of Activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(4,000)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 33,817</u>

The accompanying notes are an integral part of the financial statements.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY
FRANKFORT, MICHIGAN

STATEMENT OF FIDUCIARY NET POSITION
MARCH 31, 2013

	<u>AGENCY FUND</u>
<u>ASSETS</u>	
Cash	\$ 140,489
<u>LIABILITIES</u>	
Due to Other Funds	<u>140,489</u>
<u>NET POSITION</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. Crystal Lake Township does not have any *business-type activities* or *component units*.

B. Reporting Entity

Crystal Lake Township is a general law township located in Benzie County which operates under the direction of an 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.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Crystal 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 Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

The *Cemetery Fund* accounts for revenue sources that are legally restricted to expenditures for the cemetery.

Additionally Crystal Lake Township reports the following fund types:

Fiduciary funds are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the Township in a trustee capacity or as an agent on behalf of others. This fund is custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position. Fiduciary funds are not included in the government-wide statements.

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

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

E. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

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

F. Budgetary Information

1. Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted on March 19, 2012, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

2. Excess of Expenditures over Appropriations

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
Election	\$ 3,000	\$ 4,570
Zoning	11,200	13,270
Insurance and Bonds	0	6,488
Social Security and Medicare	0	6,870

These overages were funded by greater than anticipated revenues and available fund balance.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY
LAKE CITY, MICHIGAN

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

1. Cash and Cash Equivalents

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 date of acquisition.

- (1) The Investment Policy adopted by the Township states that the township is limited to investments authorized by PA 20 of 1943, as amended, and may invest in 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. Authorized depositories shall be designated by the Crystal Lake Township Board at the Board's organizational meeting after each regular election of board members.
 - (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by 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) Investment pools through an Interlocal Agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
 - (g) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.

2. Inventories and Prepaid Items

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. There are no prepaid items this year.

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial,

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY
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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 date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Land and Building Improvements	20
Office Equipment	5-10
Infrastructure	20

4. *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 (expense/expenditure) until then. The Township does not have any deferred outflows of resources.

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

5. *Net Position Flow Assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY
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NOTES TO FINANCIAL STATEMENTS
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6. *Fund Balance Flow Assumptions*

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

7. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

8. *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.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations

The 2012 taxable valuation of the Crystal Lake Township totaled \$145,124,871, on which ad valorem taxes levied consisted of .7069 mills for the Crystal Lake Township operating purposes, .25 mills for Crystal Lake Township fire protection. These levies raised approximately \$102,542 for operating purposes, and \$35,699 for fire protection. These amounts are recognized in the respective General Fund and Fire Fund financial statements as tax revenue.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note I.F.2, on the Excess of expenditures over appropriations, describes a budgetary violation that occurred for the year ended March 31, 2013.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

The Township's deposits are on deposit with State Savings Bank, West Michigan Bank & Trust, Hightower Securities, and Central State Bank.

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Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. As of March 31, 2013, \$215,340 of the Township’s bank balance of \$514,844 was exposed to custodial credit risk. Although the Township’s investment policy does not directly address custodial credit risk, it typically limits its exposure by controlling who holds the Township’s deposits.

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

B. Receivables

Receivables as of year end for the government’s individual major funds are as follows:

	General	Fire	Total
Receivables			
Taxes Receivable	\$ 6,058	\$ 1,888	\$ 7,946
Due from Other Governments	16,582	0	16,582
Total Receivables	\$ 22,640	\$ 1,888	\$ 24,528

The allowance for doubtful accounts is not considered to be material for disclosure.

C. Capital Assets

As of March 31, 2013, the cost and accumulated depreciation of capital assets consisted of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 110,000	\$ 0	\$ 0	\$ 110,000
Capital assets, being depreciated				
Buildings	200,000	0	0	200,000
Less accumulated depreciation for:				
Buildings	99,236	4,000	0	103,236
Total capital assets, being depreciated, net	100,764	(4,000)	0	96,764
Governmental activities capital assets, net	\$ 210,764	\$ (4,000)	\$ 0	\$ 206,764

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

Governmental activities:	
General Government	\$ 4,000

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY
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NOTES TO FINANCIAL STATEMENTS
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D. Interfund Receivables and Payables

Interfund balances as of March 31, 2013, are as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General	\$ 140,489	\$ 33,811
Fire	33,811	0
Tax Collection Fund	0	140,489
	<u>\$ 174,300</u>	<u>\$ 174,300</u>

Interfund receivables and payables result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

E. Interfund Transfers

Interfund transfers made during the year are as follows:

<u>FUND</u>	<u>TRANSFERS</u>	
	<u>IN</u>	<u>OUT</u>
General	\$ 0	\$ 68,000
Fire	50,000	0
Cemetery	18,000	0
	<u>\$ 68,000</u>	<u>\$ 68,000</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. 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. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY
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NOTES TO FINANCIAL STATEMENTS
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Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

G. Related Parties

During the fiscal year, there were several related parties involved in both appointed positions and contracted services. The Township Board approved contracts and/or payments to such individuals and companies.

IV. OTHER INFORMATION

A. New GASB Standards

Effective April 1, 2012, the Township adopted GASB Statement 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement 65, "Items Previously Recognized as Assets and Liabilities". These statements establish and clarify new components of the statement of position, "Deferred Inflows of Resources" and "Deferred Outflows of Resources". At March 31, 2013, the Township did not have items that fit the criteria for a deferred outflow of resources or a deferred inflow of resources. GASB 63 also changes the term "net assets", which was previously made up of assets less liabilities, to "net position", which is now made up of assets, deferred outflows of resources, liabilities and deferred inflows of resources. Accordingly any reference to "net assets" has been changed to "net position".

B. Endowment Fund

In 2010 the Grand Traverse Regional Community Foundation (GTRCF) established an Endowment Fund to support, preserve, and enhance the Crystal Lake Township North Cemetery. The contributions given directly to GTRCF become a permanent endowment of the GTRCF and as such are not included as assets of Crystal Lake Township.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY
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REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2013

	GENERAL FUND			FIRE FUND			CEMETERY FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
REVENUES									
Taxes	\$ 98,000	\$ 98,000	\$ 159,568	\$ 7,000	\$ 7,000	\$ 35,699	\$ 0	\$ 0	\$ 0
Licenses and Permits	3,000	3,000	3,222	0	0	0	0	0	0
State Grants	50,000	50,000	72,852	0	0	0	0	0	0
Charges for Services	0	0	0	0	0	0	7,000	7,000	6,435
Interest and Rents	200	200	548	50	50	101	500	500	354
Other Revenues	1,200	1,200	5,503	0	0	0	0	0	0
Total Revenues	152,400	152,400	241,693	7,050	7,050	35,800	7,500	7,500	6,789
EXPENDITURES									
General Government									
Township Board	35,000	35,000	22,321	0	0	0	0	0	0
Supervisor	22,389	22,389	18,438	0	0	0	0	0	0
Assessor	21,600	21,600	20,538	0	0	0	0	0	0
Election	3,000	3,000	4,570	0	0	0	0	0	0
Clerk	21,589	21,589	19,279	0	0	0	0	0	0
Board of Review	1,000	1,000	865	0	0	0	0	0	0
Treasurer	34,889	34,889	30,292	0	0	0	0	0	0
Building and Grounds	20,000	20,000	12,686	0	0	0	0	0	0
Cemetery	0	0	0	0	0	0	31,250	31,250	26,187
Public Safety									
Fire Department	0	0	0	50,000	50,000	49,183	0	0	0
Public Works									
Highways, Streets, Bridges	1,500	1,500	1,398	0	0	0	0	0	0
Health and Welfare									
Ambulance	12,000	12,000	11,863	0	0	0	0	0	0
Community and Economic Development									
Planning	5,000	5,000	2,217	0	0	0	0	0	0
Zoning	11,200	11,200	13,270	0	0	0	0	0	0
Other Functions									
Insurance and Bonds	0	0	6,488	0	0	0	0	0	0
Social Security and Medicare	0	0	6,870	0	0	0	0	0	0
Total Expenditures	189,167	189,167	171,095	50,000	50,000	49,183	31,250	31,250	26,187
Excess (Deficiency) of Revenues Over Expenditures	(36,767)	(36,767)	70,598	(42,950)	(42,950)	(13,383)	(23,750)	(23,750)	(19,398)
OTHER FINANCING SOURCES (USES)									
Transfers In (Out)	(82,000)	(82,000)	(68,000)	50,000	50,000	50,000	18,000	18,000	18,000
Net Change in Fund Balance	(118,767)	(118,767)	2,598	7,050	7,050	36,617	(5,750)	(5,750)	(1,398)
FUND BALANCE - Beginning of Year	143,000	143,000	287,659	6,750	6,750	13,582	11,000	11,000	320,751
FUND BALANCE - End of Year	\$ 24,233	\$ 24,233	\$ 290,257	\$ 13,800	\$ 13,800	\$ 50,199	\$ 5,250	\$ 5,250	\$ 319,353

