

**CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY**

**FRANKFORT, MICHIGAN**

**MARCH 31, 2016**



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

CERTIFIED PUBLIC ACCOUNTANTS  
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LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

MARCH 31, 2016

TABLE OF CONTENTS

	<u>PAGES</u>
<b>Independent Auditor's Report</b>	i-ii
<b>Management's Discussion and Analysis</b>	iii-ix
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3
Reconciliation of the Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	6
Fiduciary Funds	
Statement of Fiduciary Net Position	7
Notes to Financial Statements	8-16
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - Major Governmental Funds	17





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www.bcbcpa.com

July 1, 2016

## 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, 2016, 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Crystal Lake Township, Benzie County, Frankfort, Michigan as of March 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii through ix and budgetary comparison information on page 17 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, 2016

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, 2016. 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 the Township exceeded its liabilities at the close of the most recent fiscal year by \$1,216,027 (*net position*). Of this amount, \$466,896 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 \$1,021,263, an increase of \$228,839 in comparison with the prior year. Approximately 33% of this amount (\$334,098) 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 \$466,896.

**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 includes supplementary information intended to furnish additional details to support 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.

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, community and economic development, and other functions. The Township does not have any business-type activities.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2016

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 four 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, Road Fund, Fire Fund, and Cemetery 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. The Agency Fund reports resources held by the Township in a custodial capacity for other governments.

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

**Notes to 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 8-16 of this report.



CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2016

**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 \$1,216,027, at the close of the most recent fiscal year.

**Crystal Lake Township  
Net Position as of March 31,**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Current Assets	\$ 1,042,961	\$ 814,667
Noncurrent Assets		
Capital Assets	310,000	310,000
Less: Accumulated Depreciation	(115,236)	(111,236)
Total Noncurrent Assets	194,764	198,764
<b>Total Assets</b>	<b>1,237,725</b>	<b>1,013,431</b>
<b>Liabilities</b>		
Current Liabilities	21,698	22,243
<b>Net Position</b>		
Net Investment in Capital Assets	194,764	198,764
Restricted for Specific Purposes	554,367	401,059
Unrestricted	466,896	391,365
<b>Total Net Position</b>	<b>\$ 1,216,027</b>	<b>\$ 991,188</b>

The largest portion of the Township's net position (46%) 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 \$466,896 is unrestricted may be used to meet the government's ongoing obligations to its citizens and creditors.

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, BENZIE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2016

The Township's overall net position increased by \$224,839 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,**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
<b><u>Revenues</u></b>		
<b>Program Revenues</b>		
Charges for Services	\$ 35,264	\$ 31,015
Operating Grants and Contributions	2,435	2,835
<b>General Revenues</b>		
Taxes	401,782	241,839
State Grants	71,754	73,077
Interest Earnings	1,069	1,575
Other	3,316	2,586
<b>Total Revenues</b>	<u>515,620</u>	<u>352,927</u>
<b><u>Expenses</u></b>		
General Government	189,174	183,837
Public Safety	73,360	72,485
Public Works	152	196
Community and Economic Development	19,680	24,605
Other Functions	8,415	8,255
<b>Total Expenses</b>	<u>290,781</u>	<u>289,378</u>
Changes in Net Position	224,839	63,549
<b><u>NET POSITION</u></b> - Beginning of Year	<u>991,188</u>	<u>927,639</u>
<b><u>NET POSITION</u></b> - End of Year	<u>\$ 1,216,027</u>	<u>\$ 991,188</u>

**Governmental Activities** The most significant part of the revenue for all governmental activities of the Township comes from taxes. The Township levied 0.7012 mills for operating purposes, 0.5 mills for fire protection, and 1 mill for road improvements. State-shared revenues are also a significant portion of the revenues for the 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.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2016

The Township's governmental activities expenses are dominated by general government expenses that total \$189,174. Public Safety represented the next largest expense at \$73,360.

**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 the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a 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, 2016, the Township's governmental funds reported combined fund balances of \$1,021,263, an increase of \$228,839 in comparison with the prior year. Approximately 33% of this amount (\$334,098) 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 (\$554,367), 4) committed for particular purposes, or 5) assigned for particular purposes (\$132,798).

**General Fund** – The General Fund increased its fund balance by \$77,814 which brings the fund balance to \$471,818. Of the General Fund's fund balance, \$334,098 of it is unassigned.

**Fire Fund** – The Fire Fund increased its fund balance by \$4,781 which brings the fund balance to \$79,156. This balance is restricted and must be used for fire protection. The Township contracts with another local unit for fire services.

The Township levied a fire millage on the 2015 tax roll. This resulted in \$78,042 in tax related revenues during the current fiscal year.

**Cemetery Fund** – The Cemetery Fund decreased its fund balance by \$11,893 which brings the fund balance to \$312,152. This balance is restricted and must be used for cemetery. Cemetery maintenance exceeded the charges for services during the year.

**Road Fund** – The Road Fund increased its fund balance by \$158,137 which brings the fund balance to \$158,137. The balance is restricted and must be used for road improvements.

The Township levied a road millage on the 2015 tax roll. This resulted in \$158,137 in tax related revenues during the current fiscal year. There were no road expenses during the year.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2016

**General Fund Budgetary Highlights**

During the year, the budget was amended to increase appropriations for Township Board and Zoning. These changes are shown on page 17 of this report.

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

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
Total Revenues	\$ 249,610	\$ 249,610	\$ 255,647
Total Expenditures	\$ 204,365	\$ 206,945	\$ 177,833

The difference between budgeted and actual revenues was mostly due to underestimating the amounts for taxes and licenses and permits. The most significant factor in the expenditure difference was due to not spending as much as budgeted in Public Works or Community and Economic Development.

**Capital Assets**

**Capital Assets** The Township's investment in capital assets for governmental activities as of March 31, 2016, amounted to \$194,764 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

**Crystal Lake Township  
Capital Assets as of March 31,**

	<b>Governmental Activities</b>	
	<u>2016</u>	<u>2015</u>
Land	\$ 110,000	\$ 110,000
Buildings	200,000	200,000
	310,000	310,000
Less: Accumulated Depreciation	(115,236)	(111,236)
<b>Net Capital Assets</b>	<u>\$ 194,764</u>	<u>\$ 198,764</u>

There were no major capital asset events during fiscal year 2016.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2016

**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 2016-17 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.

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CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

STATEMENT OF NET POSITION  
MARCH 31, 2016

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 622,820
Receivables	
Accounts	1,720
Taxes	19,234
External Party (Fiduciary Fund)	382,527
Due from Other Governments	16,660
	<hr/>
Total Current Assets	1,042,961
	<hr/>
<u>CAPITAL ASSETS</u>	
Land	110,000
Buildings	200,000
	<hr/>
	310,000
Less Accumulated Depreciation	(115,236)
Net Capital Assets	194,764
	<hr/>
TOTAL ASSETS	1,237,725
	<hr/>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable and Payroll Liabilities	21,698
	<hr/>
<u>NET POSITION</u>	
Net Investment in Capital Assets	194,764
Restricted for:	
Metro Act Right-of-Way Maintenance	4,922
Road Improvements	158,137
Fire Protection	79,156
Cemetery	312,152
Unrestricted	466,896
	<hr/>
TOTAL NET POSITION	\$ 1,216,027
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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, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
<u>GOVERNMENTAL ACTIVITIES</u>					
General Government	\$ 189,174	\$ 35,264	\$ 0	\$ 0	\$ (153,910)
Public Safety	73,360	0	0	0	(73,360)
Public Works	152	0	2,435	0	2,283
Community and Economic Development	19,680	0	0	0	(19,680)
Other Functions	8,415	0	0	0	(8,415)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 290,781</b>	<b>\$ 35,264</b>	<b>\$ 2,435</b>	<b>\$ 0</b>	<b>(253,082)</b>
<u>GENERAL REVENUES</u>					
					401,782
Taxes					71,754
State Grants					1,069
Interest Earnings					3,316
Other					477,921
Total General Revenues					224,839
Change in Net Position					991,188
<u>NET POSITION</u> - Beginning of Year					\$ 1,216,027
<u>NET POSITION</u> - End of Year					\$ 1,216,027

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



CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET  
MARCH 31, 2016

	GENERAL FUND	ROAD FUND	FIRE FUND	CEMETERY FUND	TOTALS
<u>ASSETS</u>					
Cash	\$ 293,054	\$ 0	\$ 19,334	\$ 310,432	\$ 622,820
Accounts Receivable	0	0	0	1,720	1,720
Taxes Receivable	7,153	8,055	4,026	0	19,234
Due from Other Funds	158,428	150,082	74,017	0	382,527
Due from Other Governments	16,660	0	0	0	16,660
	<hr/>				
TOTAL ASSETS	\$ 475,295	\$ 158,137	\$ 97,377	\$ 312,152	\$ 1,042,961
<hr/>					
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable and Payroll Liabilities	\$ 3,477	\$ 0	\$ 18,221	\$ 0	\$ 21,698
<hr/>					
<u>FUND BALANCE</u>					
Restricted for					
Metro Act Right-of-Way Maintenance	4,922	0	0	0	4,922
Road Improvements	0	158,137	0	0	158,137
Fire Protection	0	0	79,156	0	79,156
Cemetery	0	0	0	312,152	312,152
Assigned for Road Improvements	35,000	0	0	0	35,000
Assigned for Subsequent Year Budget Shortfall	97,798	0	0	0	97,798
Unassigned	334,098	0	0	0	334,098
	<hr/>				
Total Fund Balance	471,818	158,137	79,156	312,152	1,021,263
	<hr/>				
TOTAL LIABILITIES AND FUND BALANCE	\$ 475,295	\$ 158,137	\$ 97,377	\$ 312,152	\$ 1,042,961
	<hr/>				

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, 2016

Total Fund Balance for Governmental Funds \$ 1,021,263

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.

Land	\$ 110,000	
Buildings	200,000	
Accumulated Depreciation	<u>(115,236)</u>	<u>194,764</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,216,027

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, 2016

	GENERAL FUND	ROAD FUND	FIRE FUND	CEMETERY FUND	TOTALS
<u>REVENUES</u>					
Taxes	\$ 165,603	\$ 158,137	\$ 78,042	\$ 0	\$ 401,782
Licenses and Permits	6,537	0	0	0	6,537
State Grants	74,189	0	0	0	74,189
Charges for Services	7,697	0	0	21,030	28,727
Interest and Rents	286	0	99	684	1,069
Other Revenues	1,335	0	0	1,981	3,316
Total Revenues	255,647	158,137	78,141	23,695	515,620
<u>EXPENDITURES</u>					
General Government	149,586	0	0	35,588	185,174
Public Safety	0	0	73,360	0	73,360
Public Works	152	0	0	0	152
Community and Economic Development	19,680	0	0	0	19,680
Other Functions	8,415	0	0	0	8,415
Total Expenditures	177,833	0	73,360	35,588	286,781
Net Change in Fund Balance	77,814	158,137	4,781	(11,893)	228,839
<u>FUND BALANCE</u> - Beginning of Year	394,004	0	74,375	324,045	792,424
<u>FUND BALANCE</u> - End of Year	\$ 471,818	\$ 158,137	\$ 79,156	\$ 312,152	\$ 1,021,263

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, 2016

Net Change in Fund Balance - Total Governmental Funds	\$ 228,839
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	<u>(4,000)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 224,839</u>

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

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET POSITION  
MARCH 31, 2016

	<u>AGENCY FUND TAX COLLECTION FUND</u>
<u>ASSETS</u>	
Cash	\$ 340,032
Due from Other Governments	64,182
Total Assets	<u>404,214</u>
<u>LIABILITIES</u>	
Due to Other Funds	382,527
Due to Other Governments	21,687
Total Liabilities	<u>404,214</u>
<u>NET POSITION</u>	<u>\$ 0</u>

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

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016

**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 governmental 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 *Road Fund* accounts for revenue sources that are legally restricted to expenditures for road improvements.

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

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016

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

Additionally Crystal Lake Township reports the following fund type:

The *Agency Fund* accounts for property tax revenues that are collected by the Township on behalf of other governmental units as well as the Township's General, Road, and Fire Funds.

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 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.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016

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 May 10, 2015, 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		
General Government		
Elections	\$ 5,000	\$ 5,620
Clerk	24,280	24,423
Other Functions	8,000	8,415

These overages were funded by greater than anticipated revenues.

**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.



CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016

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, 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.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016

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
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.

**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.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016

**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 addition 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.

**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

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016

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 2015 taxable valuation of the Crystal Lake Township totaled \$158,086,618, on which ad valorem taxes levied consisted of 0.7012 mills for operating purposes, 1.000 mills for road improvements, and 0.5000 mills for fire protection. These levies raised approximately \$110,881 for operating purposes, \$158,137 for road improvements, and \$78,042 for fire protection. These amounts are recognized in the respective General Fund, Road 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, 2016.

**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, Honor Bank, and Central State Bank.

*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, 2016, \$155,426 of the Township's bank balance of \$976,081 was exposed to custodial credit risk. This risk is concentrated mostly in the Agency Fund. 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:

	<u>General</u>	<u>Roads</u>	<u>Fire</u>	<u>Total</u>
Receivables				
Taxes Receivable	\$ 7,153	\$ 8,055	\$ 4,026	\$ 19,234
Due from Other Governments	16,660	0	0	16,660
Total Receivables	<u>\$ 23,813</u>	<u>\$ 8,055</u>	<u>\$ 4,026</u>	<u>\$ 35,894</u>

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016

The allowance for doubtful accounts is not considered to be material for disclosure. Due from Other Governments include state-shared revenues from the State of Michigan.

**C. Capital Assets**

As of March 31, 2016, 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	111,236	4,000	0	115,236
Total capital assets, being depreciated, net	88,764	(4,000)	0	84,764
Governmental activities capital assets, net	\$ 198,764	\$ (4,000)	\$ 0	\$ 194,764

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

Governmental activities:	
General Government	\$ 4,000

**D. Interfund Receivables and Payables**

Interfund balances as of March 31, 2016, are as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General	\$ 158,428	\$ 0
Road	150,082	0
Fire	74,017	0
Tax Collection Fund	0	382,527
	\$ 382,527	\$ 382,527

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016

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. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

**IV. OTHER INFORMATION**

**A. 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.

**B. Commitments and Contingencies**

The Township Board approved a bid from the Benzie County Road Commission for \$181,253 for Crystal Lake Township road repairs to be done in 2016. As of March 31, 2016, the projects had not been started. No adjustments were made to the financial statements for the year ended March 31, 2016 related to these projects.

**C. Upcoming Accounting Pronouncement**

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the Township's 2016-17 fiscal year.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2016

	<u>GENERAL FUND</u>			<u>ROAD FUND</u>			<u>FIRE FUND</u>			<u>CEMETERY FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<b><u>REVENUES</u></b>												
Taxes	\$ 161,010	\$ 161,010	\$ 165,603	\$ 0	\$ 0	\$ 158,137	\$ 76,500	\$ 76,500	\$ 78,042	\$ 0	\$ 0	\$ 0
Licenses and Permits	3,000	3,000	6,537	0	0	0	0	0	0	0	0	0
State Grants	76,400	76,400	74,189	0	0	0	0	0	0	0	0	0
Charges for Services	7,600	7,600	7,697	0	0	0	0	0	0	23,000	23,000	21,030
Interest and Rents	100	100	286	0	0	0	100	100	99	500	500	684
Other Revenues	1,500	1,500	1,335	0	0	0	0	0	0	0	0	1,981
Total Revenues	249,610	249,610	255,647	0	0	158,137	76,600	76,600	78,141	23,500	23,500	23,695
<b><u>EXPENDITURES</u></b>												
General Government												
Township Board	34,335	34,415	31,890	0	0	0	0	0	0	0	0	0
Supervisor	23,660	23,660	19,023	0	0	0	0	0	0	0	0	0
Assessor	26,250	26,250	25,510	0	0	0	0	0	0	0	0	0
Election	5,000	5,000	5,620	0	0	0	0	0	0	0	0	0
Clerk	24,280	24,280	24,423	0	0	0	0	0	0	0	0	0
Board of Review	2,200	2,200	874	0	0	0	0	0	0	0	0	0
Treasurer	29,460	29,460	28,094	0	0	0	0	0	0	0	0	0
Building and Grounds	14,900	14,900	14,152	0	0	0	0	0	0	0	0	0
Cemetery	0	0	0	0	0	0	0	0	0	32,425	38,655	35,588
Public Safety												
Fire Department	0	0	0	0	0	0	75,500	75,663	73,360	0	0	0
Public Works												
Highways, Streets, Bridges	11,400	11,400	152	0	0	0	0	0	0	0	0	0
Community and Economic Development												
Planning	12,000	12,000	6,029	0	0	0	0	0	0	0	0	0
Zoning	12,880	15,380	13,651	0	0	0	0	0	0	0	0	0
Other Functions	8,000	8,000	8,415	0	0	0	0	0	0	0	0	0
Total Expenditures	204,365	206,945	177,833	0	0	0	75,500	75,663	73,360	32,425	38,655	35,588
Net Change in Fund Balance	45,245	42,665	77,814	0	0	158,137	1,100	937	4,781	(8,925)	(15,155)	(11,893)
<b><u>FUND BALANCE - Beginning of Year</u></b>	226,476	226,476	394,004	0	0	0	15,688	15,688	74,375	323,527	323,527	324,045
<b><u>FUND BALANCE - End of Year</u></b>	\$ 271,721	\$ 269,141	\$ 471,818	\$ 0	\$ 0	\$ 158,137	\$ 16,788	\$ 16,625	\$ 79,156	\$ 314,602	\$ 308,372	\$ 312,152







