

**CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY**

**FRANKFORT, MICHIGAN**

**MARCH 31, 2020**



**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, 2020

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www.bcbcpa.com

September 1, 2020

## 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, 2020, 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, 2020, 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 21 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, 2020

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, 2020. 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.

Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because the audit of the Township is only required every other year, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, the Township has elected to exclude the comparative information. We expect this situation to continue due to the every other year audit requirement.

**Financial Highlights**

- ❖ The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$1,346,475 (*net position*). Of this amount, \$692,760 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 \$1,160,590 an increase of \$27,361 in comparison with the prior year. Approximately 56% of this amount (\$647,774) 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 *nonspendable, committed, assigned, and unassigned* components of fund balance) for the general fund was \$692,760.

**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.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2020

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, 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 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 Custodial Fund reports resources held by the Township in a custodial capacity for other governments.

The fiduciary fund financial statements can be found on pages 7-8 of this report.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2020

**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 9-20 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 \$1,346,475 at the close of the most recent fiscal year.

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

	<b>Governmental Activities</b>	
	<b>2020</b>	<b>2019</b>
	<b>As Restated</b>	
<b>Assets</b>		
Current Assets	\$ 1,185,602	\$ 1,166,892
Noncurrent Assets		
Capital Assets	318,810	318,810
Less: Accumulated Depreciation	(132,925)	(128,044)
Total Noncurrent Assets	185,885	190,766
<b>Total Assets</b>	<b>1,371,487</b>	<b>1,357,658</b>
<b>Liabilities</b>		
Current Liabilities	25,012	33,663
<b>Net Position</b>		
Net Investment in Capital Assets	185,885	190,766
Restricted for Specific Purposes	467,830	460,755
Unrestricted	692,760	672,474
<b>Total Net Position</b>	<b>\$ 1,346,475</b>	<b>\$ 1,323,995</b>

A significant portion of the Township's net position (35%) 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 \$692,760 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, 2020

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

The Township's overall net position increased by \$22,480 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>2020</b>	<b>2019</b>
<b><u>Revenues</u></b>		
<b>Program Revenues</b>		
Charges for Services	\$ 28,985	\$ 56,686
Operating Grants and Contributions	6,264	3,382
Capital Grants and Contributions	0	8,810
<b>General Revenues</b>		
Taxes	460,285	433,173
State Grants	85,417	81,863
Investment Earnings	17,972	2,572
Other	2,255	7,993
<b>Total Revenues</b>	<b>601,178</b>	<b>594,479</b>
<b><u>Expenses</u></b>		
General Government	231,102	210,782
Public Safety	88,699	84,019
Public Works	237,667	140,748
Community and Economic Development	21,230	23,882
<b>Total Expenses</b>	<b>578,698</b>	<b>459,431</b>
Changes in Net Position	22,480	135,048
<u>NET POSITION</u> - Beginning of Year, As Restated	1,323,995	1,188,947
<u>NET POSITION</u> - End of Year	\$ 1,346,475	\$ 1,323,995



CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2020

**Governmental Activities** The most significant part of the revenue for all governmental activities of the Township comes from taxes. The Township levied 0.6913 mills for operating purposes, 0.5000 mills for fire protection, and 0.9861 mills 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.

The Township's governmental activities expenses are dominated by general government (\$231,102) and public works (\$237,667) expenses. Public Safety represented the next largest expense at \$88,699.

**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, 2020, the Township's governmental funds reported combined fund balances of \$1,160,590 an increase of \$27,361 in comparison with the prior year. Approximately 56% of this amount (\$647,774) 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 (\$16,963), 2) legally required to be maintained intact, 3) restricted for particular purposes (\$467,830), 4) committed for particular purposes, or 5) assigned for particular purposes (\$28,023).

**General Fund** – The General Fund increased its fund balance by \$72,579 which brings the fund balance to \$696,492. Of the General Fund's fund balance, \$647,774 is unassigned. The Township spent less than the revenue collected and did not make a transfer during the fiscal year.

**Road Fund** – The Road Fund decreased its fund balance by \$44,185 which brings the fund balance to \$29,379. The balance is restricted and must be used for road improvements. The Township has recorded a prepaid expenditure of \$10,000 for a deposit made to the County Road Commission on 2020-2021 road projects. The road projects during the fiscal year were greater than the tax revenues collected.

The Township levied a road millage on the 2019 tax roll. This resulted in approximately \$174,000 in tax related revenues during the current fiscal year

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2020

**Fire Fund** – The Fire Fund increased its fund balance by \$820 which brings the fund balance to \$92,828. This balance is restricted and must be used for fire protection. The Township contracts with another local unit for fire services. During the year, tax revenue was slightly higher than the contracted services.

The Township levied a fire millage on the 2019 tax roll. This resulted in approximately \$87,000 in tax related revenues during the current fiscal year.

**Cemetery Fund** – The Cemetery Fund decreased its fund balance by \$1,853 which brings the fund balance to \$341,891. This balance is restricted and must be used for cemetery. Cemetery maintenance costs were greater than the charges for services during the year.

**General Fund Budgetary Highlights**

During the year, the budget was amended to increase appropriations. The most significant increase was for Election and Building and Grounds. These changes are shown on page 21 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	<u>\$ 260,000</u>	<u>\$ 260,000</u>	<u>\$ 305,471</u>
Total Expenditures	<u>\$ 255,057</u>	<u>\$ 276,358</u>	<u>\$ 232,892</u>

There was no change between original budgeted revenues and final budgeted revenues. The Township only budgeted for tax revenues, which resulting in the budgeted tax revenue to be higher than actual tax revenue. With no other revenue being budgeted for, all other actual revenue was in total, greater than the final budgeted revenue.

The most significant factors in the difference of final budgeted numbers and actual expenditures was due to not spending as much as budgeted in various functions and activities of the General Fund.

**Capital Assets**

**Capital Assets** The Township's investment in capital assets for governmental activities as of March 31, 2020, amounted to \$185,885 net of accumulated depreciation.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2020

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>	
	<b>2020</b>	<b>2019</b>
Land	\$ 110,000	\$ 110,000
Buildings	200,000	200,000
Equipment	8,810	8,810
	<u>318,810</u>	<u>318,810</u>
Less: Accumulated Depreciation	<u>(132,925)</u>	<u>(128,044)</u>
<b>Net Capital Assets</b>	<u><u>\$ 185,885</u></u>	<u><u>\$ 190,766</u></u>

The Township had no major capital asset events during the fiscal year.

Additional information regarding the Township's capital assets can be found in the Notes to Financial Statements section.

**Economic Condition and Outlook**

There is uncertainty surrounding future state funding for local governments as a result of COVID-19. The Township's budget was prepared in March and did not factor any adverse impact for the 2020-2021 year. As more guidance becomes available and the situation becomes clearer, the Township will act accordingly.

The Township continues to look for ways to improve the services it provides to its residents in a manner that is financially responsible.

**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, 2020

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 262,878
Investments	863,485
Receivables	
Taxes	18,849
Accounts	3,600
Due from Other Governments	19,827
Prepaid Expenses	16,963
	1,185,602
Total Current Assets	1,185,602
<u>CAPITAL ASSETS</u>	
Land	110,000
Buildings	200,000
Equipment	8,810
	318,810
Less Accumulated Depreciation	(132,925)
Net Capital Assets	185,885
TOTAL ASSETS	1,371,487
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	21,785
Payroll Liabilities	3,227
	25,012
Total Liabilities	25,012
<u>NET POSITION</u>	
Net Investment in Capital Assets	185,885
Restricted for:	
Metro Act Right-of-Way Maintenance	13,732
Road Improvements	19,379
Fire Protection	92,828
Cemetery	341,891
Unrestricted	692,760
	692,760
TOTAL NET POSITION	\$ 1,346,475

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, 2020

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	\$ 231,102	\$ 25,161	\$ 2,840	\$ 0	\$ (203,101)
Public Safety	88,699	0	0	0	(88,699)
Public Works	237,667	0	3,424	0	(234,243)
Community and Economic Development	21,230	3,824	0	0	(17,406)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 578,698</b>	<b>\$ 28,985</b>	<b>\$ 6,264</b>	<b>\$ 0</b>	<b>(543,449)</b>
<u>GENERAL REVENUES</u>					
					460,285
Taxes					85,417
State Grants					17,972
Investment Earnings					2,255
Other					<u>2,255</u>
Total General Revenues					<u>565,929</u>
Change in Net Position					22,480
<u>NET POSITION</u> - Beginning of Year, As Restated					<u>1,323,995</u>
<u>NET POSITION</u> - End of Year					<u><u>\$ 1,346,475</u></u>

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

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET  
MARCH 31, 2020

	GENERAL FUND	ROAD FUND	FIRE FUND	CEMETERY FUND	TOTALS
<u>ASSETS</u>					
Cash	\$ 221,704	\$ 1,350	\$ 5,525	\$ 34,299	\$ 262,878
Investments	442,309	11,435	105,749	303,992	863,485
Taxes Receivable	8,916	6,594	3,339	0	18,849
Accounts Receivable	0	0	0	3,600	3,600
Due from Other Governments	19,827	0	0	0	19,827
Prepaid Expenditures	6,963	10,000	0	0	16,963
	<hr/>				
TOTAL ASSETS	\$ 699,719	\$ 29,379	\$ 114,613	\$ 341,891	\$ 1,185,602
	<hr/>				
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 0	\$ 0	\$ 21,785	\$ 0	\$ 21,785
Payroll Liabilities	3,227	0	0	0	3,227
	<hr/>				
Total Liabilities	3,227	0	21,785	0	25,012
	<hr/>				
<u>FUND BALANCE</u>					
Nonspendable					
Prepaid Expenditures	6,963	10,000	0	0	16,963
Restricted for					
Metro Act Right-of-Way Maintenance	13,732	0	0	0	13,732
Road Improvements	0	19,379	0	0	19,379
Fire Protection	0	0	92,828	0	92,828
Cemetery	0	0	0	341,891	341,891
Assigned for					
Road Improvements	24,000	0	0	0	24,000
Subsequent Year Budget Shortfall	4,023	0	0	0	4,023
Unassigned	647,774	0	0	0	647,774
	<hr/>				
Total Fund Balance	696,492	29,379	92,828	341,891	1,160,590
	<hr/>				
TOTAL LIABILITIES AND FUND BALANCE	\$ 699,719	\$ 29,379	\$ 114,613	\$ 341,891	\$ 1,185,602
	<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, 2020

Total Fund Balance for Governmental Funds \$ 1,160,590

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	
Equipment	8,810	
Accumulated Depreciation	<u>(132,925)</u>	<u>185,885</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,346,475

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, 2020

	GENERAL FUND	ROAD FUND	FIRE FUND	CEMETERY FUND	TOTALS
<u>REVENUES</u>					
Taxes	\$ 199,857	\$ 173,699	\$ 86,729	\$ 0	\$ 460,285
Licenses and Permits	3,824	0	0	0	3,824
State Grants	88,841	0	0	0	88,841
Charges for Services	725	0	0	24,436	25,161
Interest and Rents	9,969	245	1,642	6,116	17,972
Other Revenues	2,255	0	0	2,840	5,095
Total Revenues	305,471	173,944	88,371	33,392	601,178
<u>EXPENDITURES</u>					
General Government	190,976	0	0	35,245	226,221
Public Safety	1,148	0	87,551	0	88,699
Public Works	19,538	218,129	0	0	237,667
Community and Economic Development	21,230	0	0	0	21,230
Total Expenditures	232,892	218,129	87,551	35,245	573,817
Excess (Deficiency) of Revenues Over Expenditures	72,579	(44,185)	820	(1,853)	27,361
<u>FUND BALANCE</u> - Beginning of Year, As Restated	623,913	73,564	92,008	343,744	1,133,229
<u>FUND BALANCE</u> - End of Year	\$ 696,492	\$ 29,379	\$ 92,828	\$ 341,891	\$ 1,160,590

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, 2020

Net Change in Fund Balance - Total Governmental Funds	\$ 27,361
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>(4,881)</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ 22,480</u></u></b>

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, 2020

	<u>CUSTODIAL FUND</u> <u>TAX COLLECTION FUND</u>
<u>ASSETS</u>	\$ 0
<u>LIABILITIES</u>	<u>0</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

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET POSITION  
MARCH 31, 2020

	<u>CUSTODIAL FUND</u> <u>TAX</u> <u>COLLECTION</u> <u>FUND</u>
<u>ADDITIONS</u>	
Property Taxes Collected	\$ 6,065,949
Miscellaneous	2,040
	<hr/>
TOTAL ADDITIONS	6,067,989
	<hr/>
<u>DEDUCTIONS</u>	
Property Taxes Distributed	6,065,949
Miscellaneous	2,040
	<hr/>
TOTAL DEDUCTIONS	6,067,989
	<hr/>
Net Increase (Decrease) in Fiduciary Net Position	0
<u>NET POSITION - Beginning of Year</u>	<hr/> 0
<u>NET POSITION - End of Year</u>	<hr/> \$ 0

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

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020

**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, 2020

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

Additionally, Crystal Lake Township reports the following fiduciary fund:

The *Custodial 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.

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

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020

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.

The custodial fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

**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 of 2019, 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***

There was one activity in the General Fund (Board of Review) in which the expenditures exceeded appropriations. The overage was covered by available fund balance and 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. The government considered all highly liquid investments (including certificates of deposit) to be cash equivalents.

***2. Investments***

The Township's investment policy is in compliance with state law and authorizes the Township to invest in passbook savings accounts, certificates of deposit, and money market funds. The Township does not have any investments other than interest bearing bank accounts. Some investments authorized by state law are shown as cash on the financial statements.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020

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) 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.
- (c) Repurchase agreements consisting of instruments listed in subdivision (a).
- (d) Bankers' acceptances of United States banks.
- (e) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service
- (f) Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
  - 1. The purchase of securities on a when-issued or delayed delivery basis
  - 2. The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned
  - 3. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purchases
- (g) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under than Urban Cooperation Act of 1967, Public Act 7 of 1967 (*Ex Sess*), MCL 124.501, et seq.
- (h) Investment pools organized under the Local Government Investment Pool Act, Public Act 121 of 1985, MCL 129.141, *et seq.*

**3. *Inventories and Prepaid Items***

Inventory is valued at cost using the first-in/first-out method. Inventory consists of expendable supplies held for consumption, which are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020

**4. *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 acquisition 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
Building Improvements	20
Office Equipment	5-10
Infrastructure	20

**5. *Unearned Revenue***

Unearned revenue arises when resources are received by the Township before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, revenue is recognized. The Township does not have unearned revenue.

**6. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net 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 items that qualify for reporting in this category.

In addition to liabilities, the statement of net 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 items that qualify for reporting in this category.



CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020

**7. *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.

**8. *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.

**9. *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.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020

***10. 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, county taxes, and school district 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 2019 taxable valuation of the Crystal Lake Township totaled \$175,784,166, on which ad valorem taxes levied consisted of 0.6913 mills for operating purposes, 0.9861 mills for road improvements, and 0.5000 mills for fire protection. These levies raised approximately \$122,000 for operating purposes, \$174,000 for road improvements, and \$87,000 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.** Note 1.F.2., on the Excess of Expenditures Over Appropriations, describes a budgetary violation that occurred for the year ended March 31, 2020. In addition, the Township budgeted for a deficit (negative) fund balance in the Road Fund, which is a violation of state budgeting act.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020

**III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

*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, 2020, \$20,366 of the Township’s bank balance of \$270,366 was exposed to custodial credit risk. This risk spreads across all funds of the Township. 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.

*Interest rate risk.* The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township’s cash requirements.

*Credit risk.* State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSOs).

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

*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.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the Township’s investment policy does not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments or by controlling who holds the investments.

	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MI CLASS	\$ 863,485	0.0027	AAAm	100.00%
	\$ 863,485			100.00%
Portfolio Weighted Average Maturity		0.0027		

1 Day Maturity Equals 0.0027, One Year Equals 1.000

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020

The Township invests certain excess funds in external pooled investment funds which include money market funds. Michigan Class (MI Class) is considered a local government investment pool of “qualified” investments for Michigan governmental entities. MI Class is not regulated nor is it registered with the SEC. MI Class reports as of March 31, 2020, the fair value of the Township’s investments is the same as the value of the pooled shares. MI Class is recorded at fair value and is subject to fair value disclosures.

**Fair Market Value Disclosure** - The Township is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices from similar activities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the reporting entity’s own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There are two types of valuation techniques most commonly used and vary depending on the level of investment. These two techniques are the market approach and income approach. The market approach uses prices and other relevant information generated by the market transactions involving identical or similar assets and liabilities. The income approach discounts future amounts to a single current amount and the discount rate used in the process should reflect current market expectations about risks associated with those future cash flows.

The Township’s investments in Michigan Class are subject to the fair value measurement and are categorized as Level 2.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020

The carrying amount of deposits and investments is as follows:

	<u>Total</u>
Deposits	\$ 262,878
Investments	863,485
	\$ 1,126,363

The above amounts are reported in the financial statements as follows:

	<u>Total</u>
Cash - Governmental Funds	\$ 262,878
Investments	863,485
	\$ 1,126,363

**B. Receivables**

Receivables as of March 31, 2020, for the government's individual major funds in aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Roads	Fire	Cemetery	Total
Receivables					
Accounts Receivable	\$ 0	\$ 0	\$ 0	\$ 3,600	\$ 3,600
Taxes Receivable	8,916	6,594	3,339	0	18,849
Due from					
Other Governments	19,827	0	0	0	19,827
Total Receivables	\$ 28,743	\$ 6,594	\$ 3,339	\$ 3,600	\$ 42,276

By ordinance, the Township can place substantially all of its delinquent receivables on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil. Due from Other Governments include state-shared revenues from the State of Michigan.

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020

**C. Capital Assets**

As of March 31, 2020, 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
Equipment	8,810	0	0	8,810
Total Capital Assets being depreciated	208,810	0	0	208,810
Less accumulated Depreciation for:				
Buildings	127,236	4,000	0	131,236
Equipment	808	881	0	1,689
Total Accumulated Depreciation	128,044	4,881	0	132,925
Total capital assets, being depreciated, net	80,766	(4,881)	0	75,885
Governmental activities capital assets, net	<u>\$ 190,766</u>	<u>\$ (4,881)</u>	<u>\$ 0</u>	<u>\$ 185,885</u>

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

Governmental activities:

General Government	<u>\$ 4,881</u>
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**D. Interfund Receivables, Payables, and Transfers**

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. There were no interfund receivables or payables at the end of the fiscal year.

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. There were no transfers during the fiscal year.

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation).

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020

The Township continues to carry commercial insurance for various risks of loss, including general liability, property and casualty, accident insurance, and workers' disability compensation. The Township has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

**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.

**C. Commitments**

The Township Board approved several bids for \$164,750 for Crystal Lake Township road repairs and resurfacing to be done in the 2021 fiscal year. The Township prepaid \$10,000 during the fiscal year for these repairs. As of March 31, 2020, the projects had not been started. The only amounts recorded in the financial statements for the year ended March 31, 2020, were related to the prepaid amounts paid prior to year-end.

**D. Contingencies**

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required, and certain cost may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the Township. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

**E. Restatement of Net Position and Fund Balance**

It was determined that adjustments to beginning fund balance and net position were necessary to correct how balance sheet items were being accounted for in the prior year. The restatement influenced the governmental activities net position and General Fund fund balance.

The restatement of the beginning of the year net position and fund balance is as follows:

	<u>Fund Balance</u>	<u>Net Position</u>
	<u>General Fund</u>	<u>Governmental Activities</u>
General Fund and Governmental Activities - As Previously Reported as of March 31, 2019	\$ 619,250	\$ 1,319,332
Prepaid Expenditures/Expenses	4,663	4,663
General Fund and Governmental Activities - Restated as of March 31, 2019	<u>\$ 623,913</u>	<u>\$ 1,323,995</u>

CRYSTAL LAKE TOWNSHIP, BENZIE COUNTY  
FRANKFORT, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED MARCH 31, 2020

	GENERAL FUND			ROAD FUND			FIRE FUND			CEMETERY FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<b>REVENUES</b>												
Taxes	\$ 260,000	\$ 260,000	\$ 199,857	\$ 160,000	\$ 160,000	\$ 173,699	\$ 100,000	\$ 100,000	\$ 86,729	\$ 0	\$ 0	\$ 0
Licenses and Permits	0	0	3,824	0	0	0	0	0	0	0	0	0
State Grants	0	0	88,841	0	0	0	0	0	0	0	0	0
Charges for Services	0	0	725	0	0	0	0	0	0	25,000	25,000	24,436
Interest and Rents	0	0	9,969	0	0	245	0	0	1,642	0	0	6,116
Other Revenues	0	0	2,255	0	0	0	0	0	0	0	0	2,840
<b>Total Revenues</b>	<b>260,000</b>	<b>260,000</b>	<b>305,471</b>	<b>160,000</b>	<b>160,000</b>	<b>173,944</b>	<b>100,000</b>	<b>100,000</b>	<b>88,371</b>	<b>25,000</b>	<b>25,000</b>	<b>33,392</b>
<b>EXPENDITURES</b>												
General Government												
Township Board	15,881	15,882	12,730	0	0	0	0	0	0	0	0	0
Financial & Tax Administration	15,500	15,500	11,579	0	0	0	0	0	0	0	0	0
Supervisor	26,690	26,690	23,911	0	0	0	0	0	0	0	0	0
Assessor	39,160	39,160	34,370	0	0	0	0	0	0	0	0	0
Election	9,300	18,000	15,229	0	0	0	0	0	0	0	0	0
Clerk	31,966	31,966	30,156	0	0	0	0	0	0	0	0	0
Board of Review	1,670	1,670	1,998	0	0	0	0	0	0	0	0	0
Treasurer	31,945	31,945	27,691	0	0	0	0	0	0	0	0	0
Building and Grounds	21,900	34,500	25,359	0	0	0	0	0	0	0	0	0
Cemetery	0	0	0	0	0	0	0	0	0	44,000	50,000	35,245
Attorney	8,200	8,200	7,953	0	0	0	0	0	0	0	0	0
Other	500	500	0	0	0	0	0	0	0	0	0	0
Public Safety	2,690	2,690	1,148	0	0	0	88,000	88,000	87,551	0	0	0
Public Works	23,725	23,725	19,538	260,000	260,000	218,129	0	0	0	0	0	0
Community and Economic Development	25,930	25,930	21,230	0	0	0	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>255,057</b>	<b>276,358</b>	<b>232,892</b>	<b>260,000</b>	<b>260,000</b>	<b>218,129</b>	<b>88,000</b>	<b>88,000</b>	<b>87,551</b>	<b>44,000</b>	<b>50,000</b>	<b>35,245</b>
Excess (Deficiency) of Revenues Over Expenditures	4,943	(16,358)	72,579	(100,000)	(100,000)	(44,185)	12,000	12,000	820	(19,000)	(25,000)	(1,853)
<b>FUND BALANCE -</b>												
Beginning of Year, As Restated	500,000	500,000	623,913	87,000	87,000	73,564	75,000	75,000	92,008	340,030	340,030	343,744
<b>FUND BALANCE -</b>												
End of Year (Deficit)	\$ 504,943	\$ 483,642	\$ 696,492	\$ (13,000)	\$ (13,000)	\$ 29,379	\$ 87,000	\$ 87,000	\$ 92,828	\$ 321,030	\$ 315,030	\$ 341,891





CERTIFIED PUBLIC ACCOUNTANTS  
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September 1, 2020

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE  
AT THE CONCLUSION OF THE AUDIT

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crystal Lake Township for the year ended March 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 22, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Crystal Lake Township are described in Note I to the financial statements. During the fiscal year, the Entity adopted GASB Statement No. 84 Fiduciary Activities, which requires changes to how the fiduciary fund is reported. An additional statement was added to the audit report in order to meet the requirements set forth by the new standard. The application of existing policies was not changed during 2019-2020. We noted no transactions entered into by the Crystal Lake Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimates of the useful lives of capital assets which is based on previous history. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We detected various material misstatements as a result of our audit procedures that were corrected by management. The material adjustments made were a result of converting the entity's financial records from cash basis to modified accrual basis of accounting and providing client assistance as the client knew the adjustment was necessary but requested our assistance.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 1, 2020.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

During our audit of the basic financial statements of Crystal Lake Township for the year ended March 31, 2020, we noted the following items which we feel deserve comment:

#### Condition of Accounting Records (Repeat)

We would like to thank the accounting personnel for their efforts in accumulating the information needed for our audit.

### Budgeting (Repeat)

Expenditures exceeded appropriated amounts in on department of the General Fund. The Township should continue to monitor its budgets on an ongoing basis and make budget amendments prior to incurring expenditures in excess of budgeted amounts. In addition, the Township adopted a Road Fund budget with a deficit (negative) fund balance which is a violation of the State Budgeting Act.

### Telecommunications Right-of-Way

The state restricts the use of these monies to specific items, such as road construction and street lighting. As a result, \$13,732 of the General Fund balance is restricted. Additionally, the Township could transfer these restricted funds to the Road Fund and going forward deposit the annual payments from the State in the Road Fund.

### Department of Treasury Internal Control Review

The State of Michigan Department of Treasury performed an internal control review for the Township during the fiscal year. The State provided the Township with a report containing several comments and recommendations. We recommend the Township implement the State's recommendations as soon as possible.

### Other Matters

We applied certain limited procedures to the Management Discussion and Analysis and the Budgetary Comparison Schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### Restriction on Use

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

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*



# Baird, Cotter & Bishop, P.C.

SERVING YOUR PAST, PRESENT & FUTURE

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September 1, 2020

## COMMUNICATION OF MATERIAL WEAKNESSES

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund information, and the aggregate remaining fund information of Crystal Lake Township as of and for the year ended March 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Crystal Lake Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Crystal Lake Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Crystal Lake Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in Crystal Lake Township's internal control to be material weaknesses:

1) *Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements*

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government's internal controls over the preparation of financial statements in accordance with GAAP are incomplete. Instead, the government relies, in part, on its external auditors for assistance with this task.

Recommendation: Due to the size and minimal activity, we recommend that the government continue to outsource financial statement preparation.

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

## 2) *Segregation of Incompatible Duties and Documented Independent Review*

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the government. A key element of internal control is the segregation of incompatible duties.

Condition: The government has several accounting functions that are performed by the same individual and are not subject to a documented independent review and approval.

Cause: This condition is primarily the result of staffing constraints typical of smaller governmental units. Some of the control activities detailed above may be occurring on a routine basis but are not being documented.

Effect: As a result of this condition, the government is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented or detected by management on a timely basis.

Recommendation: There are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties. Recognizing this fact, we encourage the government to mitigate this risk by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

View of Responsible Officials: Management recognizes that this limitation is a natural outgrowth of the small number of staff and applies its judgment in determining how best to allocate the government's resources to provide and appropriate balance between sound internal controls and fiscal prudence.

Crystal Lake Township's written responses to the material weaknesses identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*