

BENZONIA TOWNSHIP, BENZIE COUNTY

BENZONIA, MICHIGAN

MARCH 31, 2013



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

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749
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BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

MARCH 31, 2013

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditors' Report	i-ii
Management's Discussion and Analysis	iii-ix
Basic Financial Statements	
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	8-17
Required Supplementary Information	
Budgetary Comparison Schedule - Major Governmental Funds	18



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May 8, 2013

INDEPENDENT AUDITORS' REPORT

To the Township Board
Benzonia Township
Benzie County
Benzonia, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benzonia Township, Benzie County, Benzonia, Michigan as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. According, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonable of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Benzonia Township, Benzie County, Benzonia, Michigan as of March 31, 2013, and the respective changes in financial position for the year then ended in conformity 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 and budgetary comparison information on pages iii through ix and 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2013

The Management's Discussion and Analysis is intended to be the Benzonia Township Board's discussion and analysis of the financial results for the fiscal year ended March 31, 2013.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$1,985,947. Of this amount, \$708,570 is unrestricted and may be used to meet the Township's ongoing obligations to citizens and creditors.

- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,180,368, a decrease of \$70,522 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide a broad overview of the Township's financial position, presented using a method of accounting that is similar to a private-sector business.

The *Statement of Net Position* presents 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 assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. An increase in net assets would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

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

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a 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 recreation and culture. The Township supports no business-type activities.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2013

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. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Township uses fund accounting to ensure compliance with finance-related legal requirements. All of the funds of the Township are 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 the governmental funds focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, 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 funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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.

Fiduciary Funds Fiduciary funds are used to account for services 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.

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found beginning on Page 8 of this report.

Other Information

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

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2013

Government-Wide Financial Analysis

The Statement of Net Position is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The net position of the Township was \$1,985,947 at March 31, 2013, meaning the Township's assets were greater than its liabilities by this amount. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. A comparison with the previous fiscal year is presented in order to show the change in net position over the previous fiscal year.

Benzonia Township
Net Assets as of March 31,

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Assets		
Current Assets	\$ 1,207,551	\$ 1,275,224
Non Current Assets		
Capital Assets	1,859,400	1,705,111
Less: Accumulated Depreciation	<u>1,053,821</u>	<u>975,101</u>
Total Non Current Assets	<u>805,579</u>	<u>730,010</u>
Total Assets	<u>2,013,130</u>	<u>2,005,234</u>
Liabilities		
Current Liabilities	<u>27,183</u>	<u>24,334</u>
Net Position		
Net Investment in Capital Assets	805,579	730,010
Restricted for Specific Purposes	471,798	530,753
Unrestricted	<u>708,570</u>	<u>720,137</u>
Total Net Position	<u>\$ 1,985,947</u>	<u>\$ 1,980,900</u>

The most significant portions of the Township's net position are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township has \$708,750 in unrestricted net position. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental activities.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2013

The total net position of the Township increased by \$5,047 in this fiscal year, an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in slightly better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net position for the Township. The condensed information was derived from the Government-Wide Statement of Activities.

Benzonia Township
Change in Net Position
for the Fiscal Year Ended March 31,

	Governmental	
	Activities	
	<u>2013</u>	<u>2012</u>
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$ 85,518	\$ 86,583
Operating Grants and Contributions	38,652	22,570
Capital Grants and Contributions	8,000	0
General Revenues		
Taxes	466,634	471,184
State Grants	137,103	132,953
Interest Earnings	3,038	3,475
Other	24,874	23,538
Total Revenues	<u>763,819</u>	<u>740,303</u>
<u>Expenses</u>		
General Government	302,313	294,752
Public Safety	175,658	186,416
Public Works	3,662	3,359
Community and Economic Development	45,922	41,578
Recreation and Culture	161,411	140,132
Other Functions	69,806	64,143
Total Expenses	<u>758,772</u>	<u>730,380</u>
Change in Net Position	5,047	9,923
<u>NET POSITION</u> - Beginning of Year	1,980,900	1,970,977
<u>NET POSITION</u> - End of Year	<u>\$ 1,985,947</u>	<u>\$ 1,980,900</u>

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2013

Governmental Activities

During the fiscal year ended March 31, 2013, the Township's net position increased by \$5,047 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Benzonia Township comes from property taxes. The Township levied a millage for fire protection and library millage, in addition to the operating millages, this fiscal year. The Township levied 0.8111 mills for operating purposes, 0.6710 mills for fire protection, and .6000 mills for library operations.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation.

The Township's governmental activities expenses are dominated by general governmental expenses that total \$302,313. Public safety represented the next largest expense at \$175,658.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Benzonia 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 requirement. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Benzonia Township's governmental funds reported combined ending fund balances of \$1,180,368. Of this total amount, \$342,352 constitutes unassigned fund balance. The remainder of the fund balance is either restricted, committed, or assigned for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is restricted for fire protection must be used for expenditures that relate to fire protection.

General Fund – The General Fund decreased its fund balance by \$22,575 which brings the fund balance to \$342,352. Property taxes and related revenues amounted to \$220,262. State grants amounted to \$142,455. Small increases in expenditures related to various functions exceeded the small increase in revenues for the fund, causing the decrease in fund balance.

Fire Fund – The Fire Fund increased its fund balance by \$1,277 which brings the fund balance to \$304,116. This balance is restricted and must be used for fire protection. Property taxes and related revenues amounted to \$130,356. Fire contracts revenue amounted to \$62,809. The Township purchased two fire vehicles and an air breathing system during the year. Property tax revenues and a transfer in from the Fire Improvement Fund covered the cost of the capital assets as well as operating costs.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2013

Library Fund – The Library Fund serves as a pass-through for property taxes levied by the Township but paid immediately to the Villages of Beulah and Benzonia. Therefore, the fund balance is \$0.

West Benzie Joint Planning Fund – The West Benzie Joint Planning Fund receives funding from Benzonia and Platte Townships, in addition to zoning permits issued. The fund ended the year with \$14,393 of fund balance, which is committed for economic development. The increase represents the amount that the contributions from the townships and revenues generated from zoning permits exceeded expenditures related to planning and zoning.

Fire Improvement Fund – The Fire Improvement Fund decreased its fund balance by \$60,232 which brings the fund balance to \$167,682, which is restricted for fire equipment and improvements. The decrease is attributed to a transfer to the Fire Fund for the purchase of capital assets.

Road Improvement Fund - The Road Improvement Fund increased its fund balance by \$1,553 which brings the fund balance to \$348,094, which is assigned for Road Improvements. The increase is attributed to interest income, as there were no expenditures during the fiscal year.

Parks Improvement Fund – The Parks Improvement Fund increased its fund balance by \$2 which brings the fund balance to \$3,731, which is assigned for park improvements. The increase is attributed to interest income, as there were no expenditures during the fiscal year.

General Fund Budgetary Highlights

During the year, the Township did not amend its general fund budget. A detailed summary budget can be found on page 18 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>\$ 394,700</u>	<u>\$ 394,700</u>	<u>\$ 432,008</u>
Total Expenditures	<u>\$ 519,700</u>	<u>\$ 519,700</u>	<u>\$ 430,933</u>

The reason for the variance between budgeted revenues and actual revenues was due in large part to increased reimbursements and grants from local organizations, which the Township had not budgeted for. The reason for the variance between budgeted expenditures and actual expenditures is because the Township budgets for a worse-case scenario, appropriating its entire available fund balance.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2013

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2013, amounted to \$805,579 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 (for purchases after March 31, 2004) and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Benzonia Township
Capital Assets as of March 31,

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Land	\$ 52,000	\$ 52,000
Buildings	378,588	378,588
Land Improvements	37,472	37,472
Equipment, Furniture and Fixtures	1,391,340	1,237,051
	<hr/> 1,859,400	<hr/> 1,705,111
Less: Accumulated Depreciation	1,053,821	975,101
	<hr/> <hr/>	<hr/> <hr/>
Net Capital Assets	\$ 805,579	\$ 730,010

Major capital asset events during the current fiscal year included the purchase of two fire vehicles and an air breathing system for the Fire Fund. In total, these assets cost the Township approximately \$159,000.

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 resident in a manner that is financially responsible.

These factors were considered in preparing the Township's budgets for the 2013-2014 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 Benzonia Township at P.O. Box 224, Benzonia, Michigan 49616-0224.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

STATEMENT OF NET POSITION
MARCH 31, 2013

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash	\$ 814,525
Receivables	
Taxes	38,872
External Parties (Fiduciary Fund)	322,058
Due from Other Governments	32,096
	<hr/>
Total Current Assets	1,207,551
	<hr/>
<u>CAPITAL ASSETS</u>	
Land	52,000
Buildings	378,588
Land Improvements	37,472
Equipment, Furniture, and Fixtures	1,391,340
	<hr/>
	1,859,400
Less Accumulated Depreciation	1,053,821
Net Capital Assets	805,579
	<hr/>
TOTAL ASSETS	2,013,130
	<hr/>
<u>LIABILITIES</u>	
Accounts Payable	8,157
Due to Other Governments	18,184
Payroll Withholdings Payable	842
	<hr/>
Total Current Liabilities	27,183
	<hr/>
<u>NET POSITION</u>	
Net Investment in Capital Assets	805,579
Restricted for:	
Fire Protection	304,116
Fire Equipment	167,682
Unrestricted	708,570
	<hr/>
TOTAL NET POSITION	\$ 1,985,947
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The accompanying notes are an integral part of the financial statements.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2013

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSES) REVENUES AND CHANGE IN NET POSITION</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>TOTAL GOVERNMENTAL ACTIVITIES</u>
<u>PRIMARY GOVERNMENT</u>					
<u>GOVERNMENTAL ACTIVITIES</u>					
General Government	\$ 302,313	\$ 16,637	\$ 0	\$ 0	\$ (285,676)
Public Safety	175,658	62,809	0	8,000	(104,849)
Public Works	3,662	0	5,352	0	1,690
Community and Economic Development	45,922	6,072	6,300	0	(33,550)
Recreation and Culture	161,411	0	27,000	0	(134,411)
Other Functions	69,806	0	0	0	(69,806)
Total	\$ 758,772	\$ 85,518	\$ 38,652	\$ 8,000	(626,602)
<u>GENERAL REVENUES</u>					
Taxes					466,634
State Grants					137,103
Interest Earnings					3,038
Other					24,874
Total General Revenues					631,649
Change in Net Assets					5,047
<u>NET POSITION</u> - Beginning of Year					1,980,900
<u>NET POSITION</u> - End of Year					\$ 1,985,947

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

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN
GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2013

	SPECIAL REVENUE FUNDS				CAPITAL PROJECT FUNDS			TOTALS
	GENERAL FUND	FIRE FUND	LIBRARY FUND	WEST BENZIE JOINT PLANNING FUND	FIRE IMPROVEMENT FUND	ROAD IMPROVEMENT FUND	PARKS IMPROVEMENT FUND	
<u>ASSETS</u>								
Cash	\$ 105,872	\$ 174,753	\$ 0	\$ 14,393	\$ 167,682	\$ 348,094	\$ 3,731	\$ 814,525
Taxes Receivable	18,010	11,285	9,577	0	0	0	0	38,872
Due from Other Funds	203,028	119,030	0	0	0	0	0	322,058
Due from Other Governments	32,096	0	0	0	0	0	0	32,096
TOTAL ASSETS	\$ 359,006	\$ 305,068	\$ 9,577	\$ 14,393	\$ 167,682	\$ 348,094	\$ 3,731	\$ 1,207,551
<u>LIABILITIES AND FUND BALANCE</u>								
<u>LIABILITIES</u>								
Accounts Payable	\$ 7,205	\$ 952	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,157
Due to Other Governments	8,607	0	9,577	0	0	0	0	18,184
Payroll Withholdings Payable	842	0	0	0	0	0	0	842
Total Liabilities	16,654	952	9,577	0	0	0	0	27,183
<u>FUND BALANCE</u>								
Restricted for Fire Protection	0	304,116	0	0	0	0	0	304,116
Restricted for Fire Equipment and Improvement:	0	0	0	0	167,682	0	0	167,682
Committed for Economic Development	0	0	0	14,393	0	0	0	14,393
Assigned for Road Capital Improvements	0	0	0	0	0	348,094	0	348,094
Assigned for Park Capital Improvements	0	0	0	0	0	0	3,731	3,731
Unassigned	342,352	0	0	0	0	0	0	342,352
Total Fund Balance	342,352	304,116	0	14,393	167,682	348,094	3,731	1,180,368
TOTAL LIABILITIES AND FUND BALANCE	\$ 359,006	\$ 305,068	\$ 9,577	\$ 14,393	\$ 167,682	\$ 348,094	\$ 3,731	\$ 1,207,551

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

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

GOVERNMENTAL FUNDS

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

Total Fund Balance for Governmental Funds	\$ 1,180,368
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.	
Capital Assets	\$ 1,859,400
Accumulated Depreciation	(1,053,821) 805,579
	<hr/>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 1,985,947
	<hr/> <hr/>

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

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

GOVERNMENTAL FUNDS

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

	<u>SPECIAL REVENUE FUNDS</u>				<u>CAPITAL PROJECT FUNDS</u>			<u>TOTALS</u>
	<u>GENERAL FUND</u>	<u>FIRE FUND</u>	<u>LIBRARY FUND</u>	<u>WEST BENZIE JOINT PLANNING FUND</u>	<u>FIRE IMPROVEMENT FUND</u>	<u>ROAD IMPROVEMENT FUND</u>	<u>PARKS IMPROVEMENT FUND</u>	
<u>REVENUES</u>								
Taxes	\$ 220,262	\$ 130,356	\$ 116,016	\$ 0	\$ 0	\$ 0	\$ 0	\$ 466,634
Licenses and Permits	1,854	0	0	5,122	0	0	0	6,976
State Grants	142,455	0	0	0	0	0	0	142,455
Contributions from Local Units	0	0	0	6,300	0	0	0	6,300
Charges for Services	15,733	62,809	0	0	0	0	0	78,542
Interest and Rents	835	380	0	0	268	1,553	2	3,038
Other Revenues	50,869	9,005	0	0	0	0	0	59,874
Total Revenues	432,008	202,550	116,016	11,422	268	1,553	2	763,819
<u>EXPENDITURES</u>								
General Government	295,282	0	0	0	0	0	0	295,282
Public Safety	0	261,773	0	0	0	0	0	261,773
Public Works	3,662	0	0	0	0	0	0	3,662
Community and Economic Development	20,303	0	0	25,619	0	0	0	45,922
Recreation and Culture	41,880	0	116,016	0	0	0	0	157,896
Other Functions	69,806	0	0	0	0	0	0	69,806
Total Expenditures	430,933	261,773	116,016	25,619	0	0	0	834,341
Excess (Deficiency) of Revenues Over Expenditures	1,075	(59,223)	0	(14,197)	268	1,553	2	(70,522)
<u>OTHER FINANCING SOURCES (USES)</u>								
Transfers In (Out)	(23,650)	60,500	0	23,650	(60,500)	0	0	0
Net Change in Fund Balance	(22,575)	1,277	0	9,453	(60,232)	1,553	2	(70,522)
<u>FUND BALANCE</u> - Beginning of Year	364,927	302,839	0	4,940	227,914	346,541	3,729	1,250,890
<u>FUND BALANCE</u> - End of Year	\$ 342,352	\$ 304,116	\$ 0	\$ 14,393	\$ 167,682	\$ 348,094	\$ 3,731	\$ 1,180,368

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

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

GOVERNMENTAL FUNDS

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

Net Change in Fund Balance - Total Governmental Funds	\$ (70,522)
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(83,720)
Capital Outlay	<u>159,289</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 5,047</u></u>

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

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION
MARCH 31, 2013

	<u>TAX COLLECTION FUND</u>
<u>ASSETS</u>	
Cash	\$ 322,058
<u>LIABILITIES</u>	
Due to Other Funds	<u>322,058</u>
<u>NET POSITION</u>	<u><u>\$ 0</u></u>

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

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Benzonia 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.

BLENDED COMPONENT UNITS

West Benzie Joint Planning Commission – The West Benzie Joint Planning Commission was established in fiscal year 2011-2012. The Planning Commission is an intergovernmental planning commission between Benzonia Township and Platte Township. Benzonia Township appoints three members to the Planning Commission board and Platte Township appoints two members to the board. The operational budget must be approved by the townships.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

related cash flows. Property taxes are recognized as revenues when levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

Licenses, interest and special assessments 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. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

Benzonia Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The *Library Fund* accounts for property tax revenues that are legally restricted for use in operating the library.

The *West Benzie Joint Planning Fund* accounts for revenue sources that are committed for joint planning purposes for Benzonia and Platte Townships.

The *Fire Improvement Fund* accounts for revenue sources that are legally restricted as expenditures for fire improvements.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

The *Road Improvement Fund* accounts for revenue sources that are designated as expenditures for road improvements.

The *Parks Improvement Fund* accounts for revenue sources that are designated as expenditures for park improvements.

Additionally Benzonia Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township Board has authorized the Township Treasurer to 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 of a financial institution with a location within the State of Michigan.
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in subdivision (a).
- (e) Bankers' acceptances of United States banks.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

- (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- (g) Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 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 the Township Treasurer. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share. (Recommendation--the above limitation is recommended, however, the Treasurer may also include mutual funds whose net asset value may fluctuate on a periodic basis by so stating in this area).
- (h) Investment pools organized under the Local Government Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
- (i) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

3. *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.

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, cost

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

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

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

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

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building and Land Improvements	20
Equipment, Furniture, and Fixtures	5-10

5. *Deferred Outflows/Inflows of Resources*

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

6. *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.

7. *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

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

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.

8. *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 purpose 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.

9. *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.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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 13, 2012, or as amended by the Township Board from time to time throughout the year.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

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.

B. Funds with Expenditures in Excess of Appropriations were as Follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
General Government		
Assessor	\$ 80,400	\$ 80,956
Clerk	35,900	36,037
Board of Review	5,200	5,250
Cemetery	35,500	35,852
Community and Economic Development		
Zoning	20,000	20,303
Recreation and Culture		
Parks and Recreation	28,700	39,880

These overages were funded by greater than anticipated revenues and available fund balance. Although required to do so, the Township did not adopt a budget for the library fund.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits are all on deposit with Central State Bank in Benzonia, Michigan.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2013, \$376,559 of the government's bank balance of \$1,144,832 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Township's investment policy does not address custodial credit risk.

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 presented in the statement of net assets.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 52,000	\$ 0	\$ 0	\$ 52,000
Capital Assets, Being Depreciated				
Buildings	378,588	0	0	378,588
Land Improvements	37,472	0	0	37,472
Equipment, Furniture and Fixtures	1,237,051	159,289	5,000	1,391,340
Total Capital Assets, Being Depreciated	1,653,111	159,289	5,000	1,807,400
Less Accumulated Depreciation For:				
Buildings	154,490	8,888	0	163,378
Land Improvements	25,570	1,207	0	26,777
Equipment, Furniture and Fixtures	795,041	73,625	5,000	863,666
Total Accumulated Depreciation	975,101	83,720	5,000	1,053,821
Total Capital Assets, Being Depreciated, Net	678,010	75,569	0	753,579
Governmental Activities Capital Assets, Net	\$ 730,010	\$ 75,569	\$ 0	\$ 805,579

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

<u>Governmental Activities:</u>	
General Government	\$ 7,031
Public Safety	73,174
Recreation and Culture	3,515
Total Depreciation Expenses - Governmental Activities	<u>\$ 83,720</u>

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2013, were:

<u>FUND</u>	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 203,028	\$ 0
Special Revenue Funds		
Fire Fund	119,030	0
Fiduciary Funds		
Current Tax Collection Fund	0	322,058
	\$ 322,058	\$ 322,058

All remaining balances resulted 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. All are expected to be resolved within one year.

Interfund Transfers as of March 31, 2013, were:

<u>Primary Government</u>	TRANSFERS	
	IN	OUT
General Fund	\$ 0	\$ 23,650
Fire Fund	60,500	0
West Benzie Joint Planning Fund	23,650	0
Fire Improvement Fund	0	60,500
	\$ 84,150	\$ 84,150

Transfers are used (1) to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2013

exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

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

B. Pension Plan

The Township participates in a defined contribution pension plan with The Variable Annuity Life Insurance Company. The plan covers the Township's firefighters and elected officials with contribution based on their years of service. The Township's 2012-2013 contribution was \$22,000.

C. Property Tax

The 2012 taxable valuation of the Benzonia Township totaled \$195,680,434, on which ad valorem taxes levied consisted of 0.8111 mills for the Benzonia Township operating purposes, 0.6710 mills for Benzonia Township fire protection, and .6000 mills for library operations. These levies raised approximately \$158,420 for operating purposes, \$131,054 for fire protection, and \$116,689 for library operations.

D. Contingency

At various times over the course of previous years, the Township has been a party to various contracts, received grant funds, and levied property taxes. At times parties attempt to contest or change things such as Michigan Tax Tribunal suites related to property tax valuation, audits of grants potentially resulting in payback of funds, et cetera. The Township has not recorded any estimated future liability related to any previously recognized revenue, and does not anticipate needing to in the future.

E. New GASB Standards

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

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>GENERAL FUND</u>			<u>FIRE FUND</u>			<u>WEST BENZIE JOINT PLANNING 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>REVENUES</u>									
Taxes	\$ 222,600	\$ 222,600	\$ 220,262	\$ 130,500	\$ 130,500	\$ 130,356	\$ 0	\$ 0	\$ 0
Licenses and Permits	9,100	9,100	1,854	0	0	0	3,000	3,000	5,122
State Grants	127,700	127,700	142,455	0	0	0	0	0	0
Contributions from Local Units	0	0	0	0	0	0	6,300	6,300	6,300
Charges for Services	11,900	11,900	15,733	61,000	61,000	62,809	0	0	0
Fines and Forfeitures	100	100	0	0	0	0	0	0	0
Interest and Rents	1,100	1,100	835	500	500	380	0	0	0
Other Revenues	22,200	22,200	50,869	0	0	9,005	0	0	0
Total Revenues	394,700	394,700	432,008	192,000	192,000	202,550	9,300	9,300	11,422
<u>EXPENDITURES</u>									
General Government									
Township Board	64,200	78,950	65,357	0	0	0	0	0	0
Supervisor	21,200	21,200	20,124	0	0	0	0	0	0
Election	11,300	11,300	7,242	0	0	0	0	0	0
Assessor	77,600	80,400	80,956	0	0	0	0	0	0
Clerk	49,900	35,900	36,037	0	0	0	0	0	0
Board of Review	5,200	5,200	5,250	0	0	0	0	0	0
Treasurer	41,300	41,300	33,447	0	0	0	0	0	0
Building and Grounds	13,100	16,300	11,017	0	0	0	0	0	0
Cemetery	31,000	35,500	35,852	0	0	0	0	0	0
Public Safety									
Fire Protection	0	0	0	449,000	449,000	261,773	0	0	0
Public Works									
Highways, Roads and Bridges	5,000	5,000	3,662	0	0	0	0	0	0
Community and Economic Development									
Planning Commission	0	0	0	0	0	0	38,000	38,000	25,619
Zoning	20,000	20,000	20,303	0	0	0	0	0	0
Board Appeals	4,300	4,300	0	0	0	0	0	0	0
Recreation and Culture									
Parks and Recreation	28,700	28,700	39,880	0	0	0	0	0	0
Historical Society	2,000	2,000	2,000	0	0	0	0	0	0
Other Functions									
Insurance and Bonds	15,000	15,000	13,337	0	0	0	0	0	0
Employee Benefits	58,000	58,000	56,469	0	0	0	0	0	0
Contingency	71,900	60,650	0	0	0	0	0	0	0
Total Expenditures	519,700	519,700	430,933	449,000	449,000	261,773	38,000	38,000	25,619
Excess (Deficiency) of Revenues Over Expenditures	(125,000)	(125,000)	1,075	(257,000)	(257,000)	(59,223)	(28,700)	(28,700)	(14,197)
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In (Out)	(25,000)	(25,000)	(23,650)	150,000	150,000	60,500	23,700	23,700	23,650
Net Change in Fund Balance	(150,000)	(150,000)	(22,575)	(107,000)	(107,000)	1,277	(5,000)	(5,000)	9,453
FUND BALANCE - Beginning of Year	150,000	150,000	364,927	107,000	107,000	302,839	5,000	5,000	4,940
FUND BALANCE - End of Year	\$ 0	\$ 0	\$ 342,352	\$ 0	\$ 0	\$ 304,116	\$ 0	\$ 0	\$ 14,393



Baird, Cotter & Bishop, P.C.

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www.bcbcpa.com

May 8, 2013

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

To the Township Board
Benzonia Township
Benzie County
Benzonia, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benzonia Township for the year ended March 31, 2013. 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 29, 2013. 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. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Benzonia Township are described in Note I to the financial statements. Starting in 2012-2013, the Township has implemented GASB 63 and GASB 65, new standards that rename, redefine, and clarify components of net position. We noted no transactions entered into by the governmental unit 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 Benzonia 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 estimates in determining that they are 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 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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We detected various material misstatements as a result of our audit procedures that were corrected by management. The majority of these misstatements were a result of converting the Township's records from cash to accrual basis.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 May 8, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about audit and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the 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

During the course of our audit of the basic financial statements of Benzonia Township for the year ended March 31, 2013, we noted the following items which we feel deserve comment:

Budgeting

Public Act 493 of 2000 requires the Township to adopt a budget for the Library Fund.

Also the Township's actual expenditures exceeded appropriations in various activities of the General Fund. The budget should always be amended prior to incurring the expenditures in excess of budgeted amounts. All amendments should be approved by the Township Board and be recorded in the minutes.

Tax Collection Fund Balance

A balance remained in the Tax Collection Fund at March 31, 2013, which was owed to the Township General Fund and Fire Fund. We recommend that the Township disburse each year all remaining funds in the Tax Collection Fund by March 31, except a small residual amount to maintain a minimum balance in order to keep the bank accounts open.

Review of Bank Statements and Reconciliations

As a method of strengthening internal control, we recommend that all bank statements and corresponding reconciliations be approved by a member of the Township board independent of the person reconciling the account. As a part of this review, the reviewer should initial each page of the documents reviewed.

Credit Card Policy

During the course of our audit, we noted that the Township had obtained a credit card for purchasing fuel. State law requires that the board adopt an official policy governing use and control of a credit card. In regards to the Township's credit card, we recommend that as a method of strengthening internal control that the board review the receipt from each purchase.

Contracted Services

We recommend the Township attorney review agreements the Township has with various organizations for services these organizations provide to the Township.

Condition of Accounting Records

The records were found to be in good condition and we appreciate the assistance the Township provided us in completing the annual audit. We encourage you to continuously evaluate your internal controls and closely monitor your system on a regular basis.

We would like to thank the accounting personnel for their efforts in accumulating the information needed for our audit. We encourage you to review your internal and accounting controls on an annual basis to ensure they are adequate and operating as intended.

This information is intended solely for the 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.



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SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS
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May 8, 2013

COMMUNICATION OF MATERIAL WEAKNESSES

To the Township Board
Benzonia Township
Benzie County
Benzonia, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Benzonia Township as of and for the year ended March 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Benzonia Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Benzonia Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Benzonia Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in Benzonia Township's internal control to be material weaknesses:

1) 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.

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 full-time 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.

2) *Preparation of Financial Statements in Accordance with GAAP*

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 noted prior to approving them and accepting responsibility for their content and presentation.

Benzonia Township's responses to the material weaknesses identified in our audit are described above. We did not audit Benzonia Township's response 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.