

BENZONIA TOWNSHIP, BENZIE COUNTY

BENZONIA, MICHIGAN

MARCH 31, 2014



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

CERTIFIED PUBLIC ACCOUNTANTS
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BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

MARCH 31, 2014

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June 4, 2014

INDEPENDENT AUDITOR'S 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, 2014, 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 Benzonia Township, Benzie County, Benzonia, Michigan as of March 31, 2014, 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 19-20 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, 2014

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, 2014.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$1,973,409. Of this amount, \$691,545 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 \$1,215,309, an increase of \$34,941 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 position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. An increase in net position would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net position 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, health and welfare, community and economic development, recreation and culture, and other functions. The Township supports no business-type activities.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

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 required funds. A budgetary comparison has been provided for all required 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 Financial Statements

The notes 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, 2014

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 \$1,973,409 at March 31, 2014, 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 Position as of March 31,

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Assets		
Current Assets	\$ 1,265,895	\$ 1,207,551
Non Current Assets		
Capital Assets	1,880,666	1,859,400
Less: Accumulated Depreciation	<u>1,122,566</u>	<u>1,053,821</u>
Total Non Current Assets	<u>758,100</u>	<u>805,579</u>
Total Assets	<u>2,023,995</u>	<u>2,013,130</u>
Liabilities		
Current Liabilities	<u>50,586</u>	<u>27,183</u>
Net Position		
Net Investment in Capital Assets	758,100	805,579
Restricted for Specific Purposes	523,764	471,798
Unrestricted	<u>691,545</u>	<u>708,570</u>
Total Net Position	<u>\$ 1,973,409</u>	<u>\$ 1,985,947</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 \$691,545 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, 2014

The total net position of the Township decreased by \$12,538 in this fiscal year, which was a result of the depreciation expense.

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>2014</u>	<u>2013</u>
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$ 91,300	\$ 85,518
Operating Grants and Contributions	31,123	38,652
Capital Grants and Contributions	0	8,000
General Revenues		
Taxes	491,333	466,634
State Grants	141,995	137,103
Interest Earnings	2,361	3,038
Other	26,889	24,874
Total Revenues	785,001	763,819
<u>Expenses</u>		
General Government	309,788	302,313
Public Safety	205,021	175,658
Public Works	4,945	3,662
Health and Welfare	15,090	0
Community and Economic Development	46,390	45,922
Recreation and Culture	149,069	161,411
Other Functions	67,236	69,806
Total Expenses	797,539	758,772
Change in Net Position	(12,538)	5,047
<u>NET POSITION</u> - Beginning of Year	1,985,947	1,980,900
<u>NET POSITION</u> - End of Year	\$ 1,973,409	\$ 1,985,947

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

Governmental Activities

During the fiscal year ended March 31, 2014, the Township's net position decreased by \$12,538 in the governmental funds. The majority of this decrease is represented by the depreciation expense.

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 0.8045 mills for operating purposes, 0.800 mills for fire protection, and .5951 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 \$309,788. Public safety represented the next largest expense at \$205,021.

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 \$1,215,309. Of this total amount, \$320,399 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 \$21,953 which brings the fund balance to \$320,399. Property taxes and related revenues amounted to \$221,074. State grants amounted to \$147,758. 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 \$51,798 which brings the fund balance to \$355,914. This balance is restricted and must be used for fire protection. Property taxes and related revenues amounted to \$155,239. Fire contracts revenue amounted to \$63,295. The Township purchased protective fire gear during the fiscal year. Property tax revenues covered the cost of the capital assets as well as operating costs.

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.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

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 \$17,919 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 increased its fund balance by \$168 which brings the fund balance to \$167,850, which is restricted for fire equipment and improvements. The increase is attributed to interest income, as there were no expenditures during the fiscal year.

Road Improvement Fund - The Road Improvement Fund increased its fund balance by \$1,200 which brings the fund balance to \$349,294, 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 \$202 which brings the fund balance to \$3,933, 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

A detailed summary budget can be found on pages 19-20 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>\$ 400,550</u>	<u>\$ 400,550</u>	<u>\$ 438,696</u>
Total Expenditures	<u>\$ 490,550</u>	<u>\$ 500,550</u>	<u>\$ 441,849</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.

Capital Assets. The Township’s investment in capital assets for governmental activities as of March 31, 2014, amounted to \$758,100 net of accumulated depreciation.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2014

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>2014</u>	<u>2013</u>
Land	\$ 52,000	\$ 52,000
Buildings	378,588	378,588
Land Improvements	37,472	37,472
Equipment, Furniture, and Fixtures	1,412,606	1,391,340
	<u>1,880,666</u>	<u>1,859,400</u>
Less: Accumulated Depreciation	(1,122,566)	(1,053,821)
Net Capital Assets	<u>\$ 758,100</u>	<u>\$ 805,579</u>

Major capital asset events during the current fiscal year included the purchase of fire protective gear. In total, these assets cost the Township approximately \$44,000.

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 2014-2015 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, 2014

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash	\$ 865,622
Receivables	
Trade	700
Taxes	35,112
External Parties (Fiduciary Fund)	331,204
Due from Other Governments	33,257
	<hr/>
Total Current Assets	1,265,895
	<hr/>
<u>CAPITAL ASSETS</u>	
Land	52,000
Buildings	378,588
Land Improvements	37,472
Equipment, Furniture, and Fixtures	1,412,606
	<hr/>
	1,880,666
Less Accumulated Depreciation	1,122,566
Net Capital Assets	758,100
	<hr/>
Total Assets	2,023,995
	<hr/>
<u>LIABILITIES</u>	
Accounts Payable	32,858
Due to Other Governments	8,342
Payroll Withholdings Payable	9,386
	<hr/>
Total Current Liabilities	50,586
	<hr/>
<u>NET POSITION</u>	
Net Investment in Capital Assets	758,100
Restricted for:	
Fire Protection	355,914
Fire Equipment	167,850
Unrestricted	691,545
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TOTAL NET POSITION	\$ 1,973,409
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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, 2014

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES AND CHANGE IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL GOVERNMENTAL ACTIVITIES
<u>GOVERNMENTAL ACTIVITIES</u>					
General Government	\$ 309,788	\$ 20,750	\$ 0	\$ 0	\$ (289,038)
Public Safety	205,021	63,295	0	0	(141,726)
Public Works	4,945	0	5,763	0	818
Health and Welfare	15,090	0	15,360	0	270
Community and Economic Development	46,390	7,255	4,800	0	(34,335)
Recreation and Culture	149,069	0	5,200	0	(143,869)
Other Functions	67,236	0	0	0	(67,236)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 797,539	\$ 91,300	\$ 31,123	\$ 0	(675,116)
<u>GENERAL REVENUES</u>					
Taxes					491,333
State Grants					141,995
Interest Earnings					2,361
Other					26,889
Total General Revenues					662,578
Change in Net Position					(12,538)
<u>NET POSITION</u> - Beginning of Year					1,985,947
<u>NET POSITION</u> - End of Year					\$ 1,973,409

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

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN
GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2014

	<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>ASSETS</u>								
Cash	\$ 111,939	\$ 204,048	\$ 0	\$ 28,558	\$ 167,850	\$ 349,294	\$ 3,933	\$ 865,622
Accounts Receivable	700	0	0	0	0	0	0	700
Taxes Receivable	15,449	11,321	8,342	0	0	0	0	35,112
Due from Other Funds	195,698	143,416	0	0	0	0	0	339,114
Due from Other Governments	33,257	0	0	0	0	0	0	33,257
TOTAL ASSETS	\$ 357,043	\$ 358,785	\$ 8,342	\$ 28,558	\$ 167,850	\$ 349,294	\$ 3,933	\$ 1,273,805
<u>LIABILITIES AND FUND BALANCE</u>								
<u>LIABILITIES</u>								
Accounts Payable	\$ 27,258	\$ 0	\$ 0	\$ 5,600	\$ 0	\$ 0	\$ 0	\$ 32,858
Due to Other Funds	0	2,871	0	5,039	0	0	0	7,910
Due to Other Governments	0	0	8,342	0	0	0	0	8,342
Payroll Withholdings Payable	9,386	0	0	0	0	0	0	9,386
Total Liabilities	36,644	2,871	8,342	10,639	0	0	0	58,496
<u>FUND BALANCE</u>								
Restricted for Fire Protection	0	355,914	0	0	0	0	0	355,914
Restricted for Fire Equipment and Improvements	0	0	0	0	167,850	0	0	167,850
Committed for Economic Development	0	0	0	17,919	0	0	0	17,919
Assigned for Road Capital Improvements	0	0	0	0	0	349,294	0	349,294
Assigned for Park Capital Improvements	0	0	0	0	0	0	3,933	3,933
Unassigned	320,399	0	0	0	0	0	0	320,399
Total Fund Balance	320,399	355,914	0	17,919	167,850	349,294	3,933	1,215,309
TOTAL LIABILITIES AND FUND BALANCE	\$ 357,043	\$ 358,785	\$ 8,342	\$ 28,558	\$ 167,850	\$ 349,294	\$ 3,933	\$ 1,273,805

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, 2014

Total Fund Balance for Governmental Funds	\$ 1,215,309
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	\$ 1,880,666
Accumulated Depreciation	(1,122,566) 758,100
	<hr/>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 1,973,409
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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, 2014

	<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	\$ 221,074	\$ 155,239	\$ 115,020	\$ 0	\$ 0	\$ 0	\$ 0	\$ 491,333
Licenses and Permits	2,522	0	0	5,955	0	0	0	8,477
State Grants	147,758	0	0	0	0	0	0	147,758
Contributions from Local Units	0	0	0	4,800	0	0	0	4,800
Charges for Services	19,528	63,295	0	0	0	0	0	82,823
Interest and Rents	730	261	0	0	168	1,200	2	2,361
Other Revenues	47,084	165	0	0	0	0	200	47,449
Total Revenues	438,696	218,960	115,020	10,755	168	1,200	202	785,001
<u>EXPENDITURES</u>								
General Government	303,537	0	0	0	0	0	0	303,537
Public Safety	0	167,162	0	0	0	0	0	167,162
Public Works	4,945	0	0	0	0	0	0	4,945
Health and Welfare	15,090	0	0	0	0	0	0	15,090
Community and Economic Development	20,361	0	0	26,029	0	0	0	46,390
Recreation and Culture	30,680	0	115,020	0	0	0	0	145,700
Other Functions	67,236	0	0	0	0	0	0	67,236
Total Expenditures	441,849	167,162	115,020	26,029	0	0	0	750,060
Excess (Deficiency) of Revenues Over Expenditures	(3,153)	51,798	0	(15,274)	168	1,200	202	34,941
<u>OTHER FINANCING SOURCES (USES)</u>								
Transfers In (Out)	(18,800)	0	0	18,800	0	0	0	0
Net Change in Fund Balance	(21,953)	51,798	0	3,526	168	1,200	202	34,941
<u>FUND BALANCE</u> - Beginning of Year	342,352	304,116	0	14,393	167,682	348,094	3,731	1,180,368
<u>FUND BALANCE</u> - End of Year	\$ 320,399	\$ 355,914	\$ 0	\$ 17,919	\$ 167,850	\$ 349,294	\$ 3,933	\$ 1,215,309

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, 2014

Net Change in Fund Balance - Total Governmental Funds	\$ 34,941
---	-----------

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	(91,893)
Capital Outlay	<u>44,414</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (12,538)</u></u>
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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, 2014

	<u>TAX COLLECTION FUND</u>
<u>ASSETS</u>	
Cash	<u>\$ 336,131</u>
<u>LIABILITIES</u>	
Due to Other Funds	331,204
Due to Other Governments	<u>4,927</u>
Total Liabilities	<u>336,131</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, 2014

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.

B. 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, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the primary government.

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.

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 while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary 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. 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.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

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.

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.

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 (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

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. Similarly, transfers between the funds included in business-type activities are eliminated so that only the net amount is included as internal transfers in the business type 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*, 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 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.

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

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

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 12, 2013, or as amended by the Township Board from time to time throughout the year.

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

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

2. Excess of Expenditures Over Appropriations

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
General Fund		
General Government		
Assessor	\$ 78,000	\$ 78,762
Health and Welfare		
Agency on Aging	0	15,090

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

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

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.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

- (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.
- (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. *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.

3. *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."

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, 2014

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, 2014

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.

H. Revenues and Expenditures/Expenses

1. *Program Revenues*

Amounts reported as 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. All taxes, including those dedicated for specific purposes and

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

other internally dedicated resources are reported as general revenues rather than as program revenues.

2. *Property Taxes*

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

The 2013 taxable valuation of the Benzonia Township totaled \$193,875,362, on which ad valorem taxes levied consisted of 0.8045 mills for the Benzonia Township operating purposes, 0.8000 mills for Benzonia Township fire protection, and .5951 mills for library operations. These levies raised approximately \$155,938 for operating purposes, \$155,068 for fire protection, and \$115,345 for library operations.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

Note I.F.2, on the *Excess of Expenditures Over Appropriations*, describes a budgetary violation that occurred for the year ended March 31, 2014.

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, 2014, \$401,377 of the government's bank balance of \$1,214,119 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 Position*.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

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

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
<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	1,391,340	44,414	23,148	1,412,606
Total Capital Assets, Being Depreciated	1,807,400	44,414	23,148	1,828,666
Less Accumulated Depreciation for:				
Buildings	163,378	8,888	0	172,266
Land Improvements	26,777	1,061	0	27,838
Equipment, Furniture and Fixtures	863,666	81,944	23,148	922,462
Total Accumulated Depreciation	1,053,821	91,893	23,148	1,122,566
Total Capital Assets, Being Depreciated, Net	753,579	(47,479)	0	706,100
Governmental Activities Capital Assets, Net	\$ 805,579	\$ (47,479)	\$ 0	\$ 758,100

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

<u>Governmental Activities:</u>	
General Government	\$ 6,251
Public Safety	82,273
Recreation and Culture	3,369
Total Depreciation Expenses - Governmental Activities	<u>\$ 91,893</u>

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2014, were:

<u>FUND</u>	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 195,698	\$ 0
Special Revenue Funds		
Fire Fund	143,416	2,871
West Benzie Joint Planning		5,039
Agency Fund		
Current Tax Collection Fund	0	331,204
	\$ 339,114	\$ 339,114

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, 2014, were:

<u>Primary Government</u>	TRANSFERS	
	IN	OUT
General Fund	\$ 0	\$ 18,800
West Benzie Joint Planning Fund	18,800	0
	\$ 18,800	\$ 18,800

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 exceed the total normal annual premiums for said years, all members of the specific pool's policy year

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014

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 2013-14 contribution was \$22,000. There were no required employee contributions.

C. 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.

BENZONIA TOWNSHIP, BENZIE COUNTY
BENZONIA, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2014

	GENERAL FUND			FIRE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>						
Taxes	\$ 223,000	\$ 223,000	\$ 221,074	\$ 130,000	\$ 130,000	\$ 155,239
Licenses and Permits	4,000	4,000	2,522	0	0	0
State Grants	127,600	127,600	147,758	0	0	0
Contributions from Local Units	0	0	0	0	0	0
Charges for Services	17,500	17,500	19,528	62,700	62,700	63,295
Fines and Forfeitures	0	0	0	0	0	0
Interest and Rents	550	550	730	500	500	261
Other Revenues	27,900	27,900	47,084	0	0	165
Total Revenues	400,550	400,550	438,696	193,200	193,200	218,960
<u>EXPENDITURES</u>						
General Government						
Township Board	83,200	86,700	66,592	0	0	0
Supervisor	24,200	24,200	23,147	0	0	0
Election	11,300	11,300	2,816	0	0	0
Assessor	77,000	78,000	78,762	0	0	0
Clerk	52,900	52,900	51,195	0	0	0
Board of Review	5,200	5,200	3,994	0	0	0
Treasurer	42,700	45,570	34,165	0	0	0
Building and Grounds	11,600	12,600	12,501	0	0	0
Cemetery	31,800	38,800	30,365	0	0	0
Public Safety						
Fire Protection	0	0	0	343,200	343,200	167,162
Public Works						
Highways, Roads and Bridges	5,000	5,000	4,945	0	0	0
Health and Welfare						
Agency on Aging	0	0	15,090	0	0	0
Community and Economic Development						
Planning Commission	0	0	0	0	0	0
Zoning	20,000	20,000	20,000	0	0	0
Board Appeals	4,300	4,300	361	0	0	0
Recreation and Culture						
Parks and Recreation	28,900	28,900	28,680	0	0	0
Library	0	0	0	0	0	0
Historical Society	2,000	4,500	2,000	0	0	0
Other Functions						
Insurance and Bonds	15,000	15,000	11,162	0	0	0
Employee Benefits	59,000	59,000	56,074	0	0	0
Contingency	16,450	8,580	0	0	0	0
Total Expenditures	490,550	500,550	441,849	343,200	343,200	167,162
Excess (Deficiency) of Revenues Over Expenditures	(90,000)	(100,000)	(3,153)	(150,000)	(150,000)	51,798
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers In (Out)	(10,000)	0	(18,800)	50,000	50,000	0
Net Change in Fund Balance	(100,000)	(100,000)	(21,953)	(100,000)	(100,000)	51,798
<u>FUND BALANCE - Beginning of Year</u>	100,000	100,000	364,927	100,000	100,000	304,116
<u>FUND BALANCE - End of Year</u>	\$ 0	\$ 0	\$ 342,974	\$ 0	\$ 0	\$ 355,914

LIBRARY FUND			WEST BENZIE JOINT PLANNING FUND		
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
\$ 120,000	\$ 120,000	\$ 115,020	\$ 0	\$ 0	\$ 0
0	0	0	4,100	4,100	5,955
0	0	0	0	0	0
0	0	0	4,700	4,700	4,800
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
120,000	120,000	115,020	8,800	8,800	10,755
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	41,900	41,900	26,029
0	0	0	0	0	0
0	0	0	0	0	0
120,000	120,000	115,020	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
120,000	120,000	115,020	41,900	41,900	26,029
0	0	0	(33,100)	(33,100)	(15,274)
0	0	0	18,800	18,800	18,800
0	0	0	(14,300)	(14,300)	3,526
0	0	0	14,300	14,300	14,393
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,919



Baird, Cotter & Bishop, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

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June 4, 2014

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT 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, 2014. 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 May 5, 2014. 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 Benzonia Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended March 31, 2014. 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 the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benzonia Township 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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, 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 June 4, 2014.

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

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Benzonia 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 the course of our audit of the basic financial statements of Benzonia Township for the year ended March 31, 2014, we noted the following items which we feel deserve comment:

Budgeting

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, 2014, 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.

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.

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 inquires of management regarding the methods of preparing the information and comparing 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 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.

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June 4, 2014

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, 2014, 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 audit 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. 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 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.

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