

CRYSTAL FALLS TOWNSHIP

**Financial Report
With Supplemental Information
Prepared in Accordance with GASB 34**

MARCH 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Haukkala & Co., P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

Board of Trustees
Crystal Falls Township
1384 Hwy US-2
Crystal Falls, Michigan 49920

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Crystal Falls Township** as of and for the fiscal year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and by the standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 misstatement 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Crystal Falls Township** as of March 31, 2019 and the respective changes in the financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

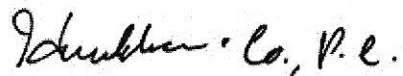
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Crystal Falls Township's** basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2019 on our consideration of **Crystal Falls Township**'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Crystal Falls Township**'s internal control over financial reporting and compliance.



HAUKKALA & CO., P.C.

August 12, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

CRYSTAL FALLS TOWNSHIP

CRYSTAL FALLS, MICHIGAN 49920

PHONE: 906/875-3062

This section of Crystal Falls Township's annual financial report presents a discussion and analysis of the Township's financial performance during the year ended March 31, 2019. It is to be read in conjunction with the Township's financial statements, which immediately follow. Comparisons to the previous year are included.

Overview of the Financial Statements

The annual report consists of a series of financial statements including other requirements: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Township's assets and liabilities, with the difference between the two 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.

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

Both of the government-wide financial statements distinguish functions of the Township that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the Township include general government, legislative, public safety, public works, Township property, parks and recreation. The business-type activities of the Township are the Water and Sewer utility services.

Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

CRYSTAL FALLS TOWNSHIP

CRYSTAL FALLS, MICHIGAN 49920

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Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains three governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund which is considered to be a major fund. The township improvement fund and the fire protection fund are also classified as major funds.

The Township adopts an annual budget for its general and other special revenue funds. To demonstrate compliance with this budget, budgetary comparison statements have been provided for the general fund, the fire protection fund, and the township improvement fund (the Township's major governmental funds) which are included in the "Required Supplementary Information" section of this document.

Proprietary Funds

Proprietary Funds provide services for which the Township charges customers a fee. The Township has only one type of proprietary fund – the enterprise-type fund. The enterprise funds of the Township are used to report the same functions as the business-type activities in the government-wide financial statements. The water and the sewer utility funds are presented separately in both the government-wide financial statements and the fund financial statements and both are considered major funds. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary fund for the Township is the tax collection fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

CRYSTAL FALLS TOWNSHIP

CRYSTAL FALLS, MICHIGAN 49920

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Notes to the Financial Statements

Notes to the financial statements are included in the basic financial statements and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

Supplementary Information

Required supplementary information follows the basic financial statements, and includes budgetary comparison schedules for the general fund, the fire protection fund, and the township improvement fund (the major governmental funds) as presented in the governmental fund financial statements.

Government-wide Financial Analysis

In time, net position of a governmental entity may serve as a useful indicator of the government's financial position. In the case of the Township, assets exceeded liabilities by \$5,723,555 at March 31.

By far, the largest portion of the Township's net position is its investment in capital assets (land, buildings, machinery, and equipment), less any outstanding debt related to acquiring the asset. These capital assets are used to provide services to citizens and are not available for future spending. The Township had outstanding debt at March 31, 2019 in the amount of \$4,561,000; hence, the Township reported \$2,971,516 in net investment in capital assets.

External restrictions of the Township's net position represent resources subject to existing external obligations or programmatic control on future use. The remaining balance of unrestricted net position of \$1,674,681 may be used to meet the government's ongoing obligations to citizens and creditors.

Total net position at March 31 for the governmental activities and business-type activities were \$2,522,339 and \$3,201,216, respectively.

CRYSTAL FALLS TOWNSHIP

CRYSTAL FALLS, MICHIGAN 49920

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Government-wide Financial Analysis (Continued)

Following is a comparative summary of net position at fiscal years ended March 31, 2019 and 2018:

Summary of Net Position

	March 31, 2019		
	Governmental	Business-Type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and equivalents	1,687,187	1,074,413	\$ 2,761,600
Other assets	33,242	121,357	154,599
Noncurrent Assets:			
Capital assets, net	846,635	6,685,881	7,532,516
TOTAL ASSETS	\$ 2,567,064	\$ 7,881,651	\$ 10,448,715
LIABILITIES			
Current Liabilities:			
Accounts payable/accrued expenses	44,705	3,953	\$ 48,658
Customer service deposits	-	39,195	39,195
Deferred revenue	20	723	743
Interest payable	-	75,563	75,563
Bonds/notes payable, current	-	83,000	83,000
Long-Term Liabilities:			
Bonds/notes payable	-	4,478,000	4,478,000
TOTAL LIABILITIES	\$ 44,725	\$ 4,680,434	\$ 4,725,159
NET POSITION			
Net investment in capital assets	\$ 846,635	\$ 2,124,881	\$ 2,971,516
Restricted	1,023	1,076,335	1,077,358
Unrestricted	1,674,681	-	1,674,681
TOTAL NET POSITION	\$ 2,522,339	\$ 3,201,216	\$ 5,723,555

CRYSTAL FALLS TOWNSHIP

CRYSTAL FALLS, MICHIGAN 49920

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Government-wide Financial Analysis (Continued)

Summary of Net Position (continued)

	March 31, 2018		
	Governmental	Business-Type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and equivalents	\$ 1,482,449	\$ 438,344	\$ 1,920,793
Other assets	35,659	1,857,429	1,893,088
Noncurrent Assets:			
Capital assets, net	833,006	5,652,356	6,485,362
TOTAL ASSETS	\$ 2,351,114	\$ 7,948,129	\$ 10,299,243
LIABILITIES			
Current Liabilities:			
Accounts payable/accrued expenses	\$ 48,590	\$ 10,768	\$ 59,358
Customer service deposits	20	36,095	36,115
Deferred revenue	-	723	723
Interest payable	-	69,106	69,106
Bonds/notes payable, current	-	80,000	80,000
Long-Term Liabilities:			
Bonds/notes payable	-	4,561,000	4,561,000
TOTAL LIABILITIES	\$ 48,610	\$ 4,757,692	\$ 4,806,302
NET POSITION			
Net investment in capital assets	\$ 833,006	\$ 1,011,356	\$ 1,844,362
Restricted	1,023	6,296	7,319
Unrestricted	1,468,475	2,172,785	3,641,260
TOTAL NET POSITION	\$ 2,302,504	\$ 3,190,437	\$ 5,492,941

CRYSTAL FALLS TOWNSHIP

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Government-wide Financial Analysis (Continued)

For governmental activities, net position increased by \$219,835 during the 2018-2019 fiscal year. For business-type activities, net position increased by \$10,779 during the fiscal year.

The following represents the comparative changes in net position for both governmental and business-type activities for the fiscal years ended March 31, 2019 and 2018:

Results of Operations – Primary Government:

	March 31, 2019		
	Governmental	Business-Type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
REVENUE			
Program Revenues:			
Charges for services	\$ 123,452	\$ 644,050	\$ 767,502
General Revenues:			
Taxes	492,049	-	492,049
State grants	-	-	-
State sales tax distribution	147,959	-	147,959
Other	63,816	2,869	66,685
Total Revenue	827,276	646,919	1,474,195
PROGRAM EXPENSES			
Governmental activities	607,441	-	607,441
Business-type activities	-	636,140	636,140
Change in Net Position	\$ 219,835	\$ 10,779	\$ 230,614

CRYSTAL FALLS TOWNSHIP

CRYSTAL FALLS, MICHIGAN 49920

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Government-wide Financial Analysis (Continued)
Results of Operations – Primary Government (Continued):

	March 31, 2018		
	Governmental	Business-Type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
REVENUE			
Program Revenues:			
Charges for services	\$ 131,716	\$ 587,262	\$ 718,978
General Revenues:			
Taxes	493,134	-	493,134
State grants	-	24,212	24,212
State sales tax distribution	179,094	-	179,094
Other	5,567	1,760	7,327
Total Revenue	809,511	613,234	1,422,745
PROGRAM EXPENSES			
Governmental activities	827,741	-	827,741
Business-type activities	-	676,186	676,186
Change in Net Position	\$ (18,230)	\$ (62,952)	\$ (81,182)

CRYSTAL FALLS TOWNSHIP

CRYSTAL FALLS, MICHIGAN 49920

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Government-wide Financial Analysis (Continued)

Governmental Activities

Property taxes comprise \$440,876 or approximately 53 percent of total governmental revenues.

The Township also collected \$123,452 for services provided. And, at fiscal year-end, the Township reported \$147,959 in grants and contributions not restricted for specific programs. This amount was due entirely to the State of Michigan's state sales tax distribution and comprises approximately 22 percent of total governmental revenues. The Township expended \$607,441 on governmental programs and services.

Business-type Activities

Business-type activities increased the Township's net position by \$10,779. Total charges for services for the Water and Sewer activities for the year ended were \$644,050. Total expenses for the Water and Sewer activities for the year ended were \$636,140.

Governmental Funds

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Township's governmental funds reported combined ending fund balances of \$2,522,339, of which \$1,674,681 is unassigned and is available for spending at the government's discretion.

The Township's primary governmental fund is its general fund.

On the budgetary basis of accounting, the Township ended the fiscal year with revenues more than the original and the final projection. Total expenditures for all funds were less than the original and the final projections.

Governmental Fund Budgetary Items

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The Township Board was in substantial compliance with their adopted budgets.

CRYSTAL FALLS TOWNSHIP

CRYSTAL FALLS, MICHIGAN 49920

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Capital Assets and Debt Administration

Capital Assets

The Township's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of March 31 was \$7,532,516. The investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, and licensed vehicles.

Infrastructure assets represent \$6,685,881 or approximately 89 percent of the net investment in capital assets. All infrastructure is accounted for in the Water and Sewer Funds. There is no infrastructure attributed to the General Fund.

Major capital events and accomplishments during the current fiscal year included:

- Township hall upgrades on building
- Planning for new fire hall
- Put down chloride on 28 miles of Township graveled roads
- Recreation plan development
- Water line improvements with RD Water Project \$1.6 million improvements
- Pave half of Long Lake and Sheltrow roads

Priorities for the 2019-2020 fiscal year include:

- Long Lake Road Final Half
- Heritage Trail Project from Medical Care Facility to Townships Donahue Park at Fortune Lake
- Chloride 30 miles of gravel roads in the Township
- Planning to build new Fire Hall on Township Property

CRYSTAL FALLS TOWNSHIP

CRYSTAL FALLS, MICHIGAN 49920

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Capital Assets and Debt Administration (Continued)

Long-term debt

As of March 31, the Township (including the enterprise funds) had revenue bonds and debt outstanding in the amount of \$4,561,000.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. Since the Township has no general obligation debt, this is not currently a concern to the Township.

Other Economic Factors and Next Year's Budget

Economic Factors

Despite economic uncertainties, the Township will continue to strive to provide good social and cultural conditions that support healthy families, and maintain a safe and clean community in which to live.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor
CRYSTAL FALLS TOWNSHIP
1384 Highway US-2
Crystal Falls, Michigan 49920

BASIC FINANCIAL STATEMENTS

CRYSTAL FALLS TOWNSHIP

STATEMENT OF NET POSITION

MARCH 31, 2019

	Primary Government				
	Governmental	Business-		Component	Reporting
	Activities	type	Totals	Units	Entity Totals
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 1,687,187	\$ 543,650	\$ 2,230,837	\$ 33,212	\$ 2,264,049
Bond Funds Held by Trustee	-	83,000	83,000	-	83,000
Inventory	1,023	5,930	6,953	-	6,953
Receivables					
Taxes	22,608	-	22,608	-	22,608
Accounts Receivable	-	5,660	5,660	-	5,660
Internal Balances	9,611	186	9,797	-	9,797
Total Current Assets	1,720,429	638,426	2,358,855	33,212	2,392,067
Noncurrent/Other Assets					
Restricted Cash	-	530,762	530,762	-	530,762
Capital Assets	2,125,664	9,501,692	11,627,356	-	11,627,356
Less Accumulated Depreciation	(1,279,029)	(2,815,811)	(4,094,840)	-	(4,094,840)
Other Assets	-	26,582	26,582	-	26,582
Total Noncurrent/Other Assets	846,635	7,243,225	8,089,860	-	8,089,860
TOTAL ASSETS	2,567,064	7,881,651	10,448,715	33,212	10,481,927
LIABILITIES					
Current Liabilities					
Accounts Payable	19,311	3,953	23,264	-	23,264
Deferred Revenues	20	723	743	-	743
Accrued Salaries and Benefits	25,394	-	25,394	-	25,394
Interest Payable	-	75,563	75,563	-	75,563
Customer Service Deposits Payable	-	39,195	39,195	-	39,195
Bonds/Notes Payable, Current	-	83,000	83,000	-	83,000
Total Current Liabilities	44,725	202,434	247,159	-	247,159
Noncurrent Liabilities					
Bonds/Notes Payable	-	4,478,000	4,478,000	-	4,478,000
Total Noncurrent Liabilities	-	4,478,000	4,478,000	-	4,478,000
TOTAL LIABILITIES	44,725	4,680,434	4,725,159	-	4,725,159
NET POSITION					
Net Investment in Capital Assets	846,635	2,124,881	2,971,516	-	2,971,516
Restricted for Inventory	1,023	5,930	6,953	-	6,953
Restricted for Water and Sewer Utility	-	1,070,405	1,070,405	-	1,070,405
Unrestricted	1,674,681	-	1,674,681	33,212	1,707,893
TOTAL NET POSITION	\$ 2,522,339	\$ 3,201,216	\$ 5,723,555	\$ 33,212	\$ 5,756,767

The notes to the financial statements are an integral part of this report.

CRYSTAL FALLS TOWNSHIP

STATEMENT OF ACTIVITIES FISCAL YEAR ENDED MARCH 31, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants	Governmental Activities	Business-type Activities	Total	Component Units
FUNCTIONS-PROGRAMS								
Primary Government -								
General government	\$ 141,379	\$ 6,455	\$ -	\$ -	\$ (134,924)	\$ -	\$ (134,924)	\$ -
Legislative	32,261	-	-	-	(32,261)	-	(32,261)	-
Township property	39,962	3,410	-	-	(36,552)	-	(36,552)	-
Public safety	125,996	69,875	-	-	(56,121)	-	(56,121)	-
Public works	209,755	41,903	-	-	(167,852)	-	(167,852)	-
Promotion, parks, and recreation	13,027	1,809	-	-	(11,218)	-	(11,218)	-
Depreciation (Unallocated)	45,061	-	-	-	(45,061)	-	(45,061)	-
Total Governmental Activities	607,441	123,452	-	-	(483,989)	-	(483,989)	-
Business-type Activities								
Water	512,922	510,942	-	-	-	(1,980)	(1,980)	-
Sewer	123,218	133,108	-	-	-	9,890	9,890	-
Total Business-type Activities	636,140	644,050	-	-	-	7,910	7,910	-
Total Primary Government	1,243,581	767,502	-	-	(483,989)	7,910	(476,079)	-
Component Units								
Crystal Falls Volunteer Fire Dept.	5,177	-	2,167	-	-	-	-	(3,010)
Total Component Units	5,177	-	2,167	-	-	-	-	(3,010)
General Revenues:								
Taxes:								
Property taxes levied for general operations					440,876	-	440,876	-
Other Taxes					51,173	-	51,173	-
State Sales Tax Distribution					147,959	-	147,959	-
Interest and Investment Earnings					13,223	2,819	16,042	118
Other					50,593	50	50,643	-
Total General Revenues					703,824	2,869	706,693	118
Change in Net Position					219,835	10,779	230,614	(2,892)
Net Position - Beginning of year					2,302,504	3,190,437	5,492,941	36,104
Net Position - End of year					\$ 2,522,339	\$ 3,201,216	\$5,723,555	\$ 33,212

The notes to the financial statements are an integral part of this report.

CRYSTAL FALLS TOWNSHIP

BALANCE SHEET - GOVERNMENTAL FUNDS

MARCH 31, 2019

	<u>General Fund</u>	<u>Township Improvement Fund</u>	<u>Township Fire Protection Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Current Assets				
Cash and Investments				
Unrestricted	\$ 1,421,715	\$ 190,926	\$ 74,545	\$ 1,687,186
Inventory	1,023	-	-	1,023
Receivables:				
Taxes	22,608	-	-	22,608
Due from Other Funds	9,980	2,330	19	12,329
TOTAL ASSETS	<u>\$ 1,455,326</u>	<u>\$ 193,256</u>	<u>\$ 74,564</u>	<u>\$ 1,723,146</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 9,274	\$ 4,284	\$ 5,753	\$ 19,311
Accrued Taxes and Benefits	25,394	-	-	25,394
Deposits	20	-	-	20
Due to Other Funds	19	368	2,330	2,717
TOTAL LIABILITIES	34,707	4,652	8,083	47,442
FUND BALANCES				
Nonspendable-Inventory	1,023	-	-	1,023
Committed for Fire Protection	-	-	66,481	66,481
Committed for Capital Improvements	-	188,604	-	188,604
Unassigned	1,419,596	-	-	1,419,596
TOTAL FUND BALANCES	<u>1,420,619</u>	<u>188,604</u>	<u>66,481</u>	<u>1,675,704</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,455,326</u>	<u>\$ 193,256</u>	<u>\$ 74,564</u>	<u>\$ 1,723,146</u>

The notes to the financial statements are an integral part of this report.

CRYSTAL FALLS TOWNSHIP

GOVERNMENTAL FUNDS

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET POSITION

MARCH 31, 2019

Fund Balances - Total Governmental Funds	\$ 1,675,704
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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 are not reported in the funds.

The cost of capital assets is:	2,125,664
Accumulated depreciation is:	<u>(1,279,029)</u>

Total Net Position - Governmental Activities	<u><u>\$ 2,522,339</u></u>
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The notes to the financial statements are an integral part of this report.

CRYSTAL FALLS TOWNSHIP

**GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES**

FISCAL YEAR ENDED MARCH 31, 2019

	General Fund	Township Improvement Fund	Township Fire Protection Fund	Total Governmental Funds
Revenue				
General Property taxes	\$ 440,876	\$ -	\$ -	\$ 440,876
Other local taxes and fees	56,723	-	-	56,723
Use of money and property	8,800	2,059	3,374	14,233
Charges for services	52,567	-	69,877	122,444
Miscellaneous	7,832	-	2,000	9,832
Intergovernmental	183,167	-	-	183,167
Total Revenue	749,965	2,059	75,251	827,275
Expenditures				
Current Operating:				
General government	145,631	-	-	145,631
Legislative	36,209	-	-	36,209
Township property	39,962	-	-	39,962
Public safety	95,000	-	125,995	220,995
Public works	179,850	13,441	-	193,291
Promotion, parks, and recreation	21,292	-	-	21,292
Capital Outlay	-	58,689	-	58,689
Intergovernmental Payments	-	-	-	-
Total Expenditures	517,944	72,130	125,995	716,069
Excess (Deficiency) of Revenues Over Expenditures	232,021	(70,071)	(50,744)	111,206
Other Financing Sources (Uses)				
Operating transfers in	-	182,000	95,000	277,000
Operating transfers out	(150,000)	-	(32,000)	(182,000)
Total Other Financing Sources(Uses)	(150,000)	182,000	63,000	95,000
Net Change in Fund Balances	82,021	111,929	12,256	206,206
Fund Balances - Beginning of Year	1,338,598	76,675	54,225	1,469,498
Fund Balances - End of Year	\$ 1,420,619	\$ 188,604	\$ 66,481	\$ 1,675,704

The notes to the financial statements are an integral part of this report.

CRYSTAL FALLS TOWNSHIP

GOVERNMENTAL FUNDS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES**

FISCAL YEAR ENDED MARCH 31, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ 206,206
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Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures; in
the statement of activities, these costs are allocated over their
estimated useful lives as depreciation.

Depreciation Expense	(45,061)
Capital Outlay	<u>58,689</u>

Total	13,628
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Rounding	<u>1</u>
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Change in Net Position of Governmental Activities	<u>\$ 219,835</u>
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The notes to the financial statements are an integral part of this report.

CRYSTAL FALLS TOWNSHIP

STATEMENT OF FUND NET POSITION – ENTERPRISE FUNDS

MARCH 31, 2019

	Water Fund	Sewer Fund	Total Enterprise Funds
ASSETS			
Current Assets:			
Cash, unrestricted	\$ 389,834	\$ 115,059	\$ 504,893
Cash, assigned	30,961	7,797	38,758
Undisbursed bond funds	83,000	-	83,000
Inventory	5,930	-	5,930
Accounts receivable	2,474	3,186	5,660
Due from other funds	186	-	186
Total Current Assets	<u>512,385</u>	<u>126,042</u>	<u>638,427</u>
Noncurrent Assets:			
Restricted cash and investments	530,762	-	530,762
Capital Assets:			
Land	30,000	-	30,000
Buildings	252,200	-	252,200
Equipment	946,303	-	946,303
Infrastructure	8,035,829	237,360	8,273,189
Less:			
Allowance for depreciation	(2,679,031)	(136,781)	(2,815,812)
Total Capital Assets, Net	<u>6,585,301</u>	<u>100,579</u>	<u>6,685,880</u>
Other Assets	26,582	-	26,582
Total Noncurrent Assets	<u>7,142,645</u>	<u>100,579</u>	<u>7,243,224</u>
TOTAL ASSETS	\$ 7,655,030	\$ 226,621	\$ 7,881,651
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 3,706	\$ 248	\$ 3,954
Customer service deposits payable	30,922	8,273	39,195
Deferred revenue	723	-	723
Interest payable	75,563	-	75,563
Internal balances	-	-	-
Current portion of long-term debt	83,000	-	83,000
Total Current Liabilities	<u>193,914</u>	<u>8,521</u>	<u>202,435</u>
Noncurrent Liabilities:			
Bonds/Notes Payable-Long Term	4,478,000	-	4,478,000
Total Noncurrent Liabilities	<u>4,478,000</u>	<u>-</u>	<u>4,478,000</u>
TOTAL LIABILITIES	4,671,914	8,521	4,680,435
NET POSITION			
Net investment in capital assets	2,190,301	100,579	2,290,880
Restricted for inventory	5,930	-	5,930
Restricted for utility services	786,885	117,521	904,406
TOTAL NET POSITION	<u>\$ 2,983,116</u>	<u>\$ 218,100</u>	<u>\$ 3,201,216</u>

The notes to the financial statements are an integral part of this report.

CRYSTAL FALLS TOWNSHIP

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – ENTERPRISE FUNDS

FISCAL YEAR ENDED MARCH 31, 2019

	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTAL</u>
<u>OPERATING REVENUE</u>			
Charges for Services	\$ 499,597	\$ 133,108	\$ 632,705
Other Income	11,395	-	11,395
TOTAL OPERATING REVENUE	510,992	133,108	644,100
<u>OPERATING EXPENSES</u>			
Personal Services and Benefits	119,801	46,947	166,748
Contractual Services	8,241	56,392	64,633
Repairs and Maintenance	7,141	455	7,596
Other Supplies and Expenses	70,211	13,484	83,695
Depreciation and Amortization	163,819	5,940	169,759
TOTAL OPERATING EXPENSES	369,213	123,218	492,431
Operating Profit (Loss)	141,779	9,890	151,669
<u>NON-OPERATING INCOME</u>			
Interest Income	2,815	4	2,819
<u>NON-OPERATING EXPENSES</u>			
Interest Expense	(143,709)	-	(143,709)
Net Income (Loss)	885	9,894	10,779
NET POSITION, BEGINNING OF YEAR	2,982,231	208,206	3,190,437
NET POSITION, END OF YEAR	\$ 2,983,116	\$ 218,100	\$ 3,201,216

The notes to the financial statements are an integral part of this report.

CRYSTAL FALLS TOWNSHIP

STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS

FISCAL YEAR ENDED MARCH 31, 2019

	WATER FUND	SEWER FUND	TOTAL
CASH FLOWS FROM (USED BY)			
<u>OPERATING ACTIVITIES</u>			
Net cash received from fees and services	\$ 500,458	\$ 132,963	\$ 633,421
Other operating revenues	11,395	0	11,395
Cash payments to employees for services	(119,801)	(46,947)	(166,748)
Cash payments to goods and services	(87,253)	(75,119)	(162,372)
NET CASH FROM OPERATING ACTIVITIES	304,799	10,897	315,696
<u>CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Acquisition and construction of capital assets	(1,202,547)	-	(1,202,547)
Principal payment on long-term bonds	(83,000)	-	(83,000)
Bond proceeds drawn	1,202,000	-	1,202,000
Interest paid on long-term bonds	(134,250)	-	(134,250)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(217,797)	-	(217,797)
<u>INVESTING ACTIVITIES</u>			
Interest Income	2,815	3	2,818
NET CASH FROM INVESTING ACTIVITIES	2,815	3	2,818
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	89,817	10,900	100,717
Cash and Cash Equivalents, Beginning of Year	861,740	111,956	973,696
Cash and Cash Equivalents, End of Year	\$ 951,557	\$ 122,856	\$1,074,413
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES</u>			
Operating Income	\$ 141,779	\$ 9,890	\$ 151,669
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	163,819	5,940	169,759
Changes in assets and liabilities :			
(Increase) Decrease in accounts receivable	(1,293)	(1,091)	(2,384)
(Increase) Decrease in inventory	366	-	366
Increase (Decrease) in accounts payable	(2,026)	(4,788)	(6,814)
Increase (Decrease) in customer deposits	2,154	946	3,100
NET CASH FROM OPERATING ACTIVITIES	\$ 304,799	\$ 10,897	\$ 315,696

The notes to the financial statements are an integral part of this report.

CRYSTAL FALLS TOWNSHIP

FIDUCIARY FUND**STATEMENT OF FIDUCIARY NET POSITION***MARCH 31, 2019*

	<u>Agency Funds</u>
<u>ASSETS</u>	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 87,807
TOTAL ASSETS	\$ 87,807
 <u>LIABILITIES</u>	
<u>Current Liabilities</u>	
Due to Other Funds	\$ 9,798
Due to Other Governmental Units	78,009
TOTAL LIABILITIES	\$ 87,807
 <u>NET POSITION</u>	
Unrestricted	\$ -
TOTAL NET POSITION	\$ -

The notes to the financial statements are an integral part of this report.

CRYSTAL FALLS TOWNSHIP

STATEMENT OF NET POSITION – DISCRETELY PRESENTED COMPONENT UNITS

MARCH 31, 2018

	CRYSTAL FALLS VOLUNTEER FIRE DEPARTMENT
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 33,212
Total Current Assets	33,212
TOTAL ASSETS	\$ 33,212
NET POSITION	
Unrestricted	\$ 33,212
TOTAL NET POSITION	\$ 33,212

The notes to the financial statements are an integral part of this report.

CRYSTAL FALLS TOWNSHIP

STATEMENT OF ACTIVITIES – DISCRETELY PRESENTED COMPONENT UNITS

YEAR ENDED MARCH 31, 2019

	CRYSTAL FALLS VOLUNTEER FIRE DEPARTMENT
<u>REVENUES</u>	
Dues, memberships, donations	\$ 2,167
Interest and Investment earnings	118
	<hr/>
TOTAL REVENUES	2,285
 <u>EXPENDITURES</u>	
<u>Activities/Special Events</u>	
Fund-Raising Expense	1,342
Meals	914
	<hr/>
Total Activities/Special Events	2,256
 <u>Public Safety</u>	
Supplies	953
Contract services	1,968
	<hr/>
Total Public Safety	2,921
 TOTAL EXPENDITURES	 5,177
	<hr/>
Excess of Revenues Over (Under) Expenditures	(2,892)
 FUND BALANCE, Beginning of Year	 36,104
	<hr/>
FUND BALANCE, End of Year	\$ 33,212
	<hr/> <hr/>

The notes to the financial statements are an integral part of this report.

NOTES TO THE FINANCIAL STATEMENTS

CRYSTAL FALLS TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by **Crystal Falls Township**, Crystal Falls, Michigan, conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

THE FINANCIAL REPORTING ENTITY

The Township operates under an elected Board of Trustees (5 people) and provides services to its approximately 1,743 residents including general administration, and cemetery, water, and sewer services. In accordance with professional standards, certain other governmental organizations are considered to be part of the Township entity for financial reporting purposes. The criteria established by professional standards for determining the various governmental organizations to be included in the reporting entity's financial statements include separation of electing governing body and legal status, and fiscal independence. On this basis, the financial statements of the Crystal Falls Volunteer Fire Department are included in the financial statements of the Township as a discretely presented component unit.

BASIS OF PRESENTATION

Management's Discussion and Analysis

A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

Government-wide financial statements

These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt).

Annual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Position and the Statement of Program Activities.

Statement of Net Position

The Statement of Net Position displays the financial position of the primary government (government and business-type activities).

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expenses - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government are broken down into three categories - 1) net investment in capital assets, 2) restricted; and 3) unrestricted.

CRYSTAL FALLS TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Budgetary comparison schedules

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public.

Many citizens participate in the process of establishing the annual operating budgets of state and local governments and have a keen interest in following the actual financial progress of their governments over the course of the year. The Township and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary governmental entities for which the government is considered to be financially accountable.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the Township as a whole) and fund financial statements. The reporting model focus is on both the Township as a whole and the fund financial statements, including the major individual funds of governmental and business-type categories, as well as the fiduciary funds, (by category).

The following criteria is applied for major fund qualification:

Total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 10% of the corresponding total for a fund type.

Total assets, liabilities, revenues, or expenditures/expenses (excluding extraordinary items) of an individual fund are at least 5% of the corresponding total for the total of all governmental and enterprise funds combined.

Assets, or any other element taken one at a time would have to pass both the 10% test and the 5% test for the fund to be considered a major fund.

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

CRYSTAL FALLS TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

Both governmental-wide and fund financial statement presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. The Township generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The Township may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, parks and recreation, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.

The program revenues must be directly associated with the function (public safety, public works, parks and recreation, etc.) or a business-type activity. 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 and 2) grants and contributions that are restricted to meeting the operation or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The Township does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the Township are organized in the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing sets of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

CRYSTAL FALLS TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

The Township's fiduciary funds are presented in the fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The various funds are grouped, in the financial statements in this report, into several broad categories as follows:

GOVERNMENTAL FUNDS

These funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the Township's expendable financial resources and the related current liabilities, except those accounted for in the Proprietary Fund, are accounted for through the Governmental Funds.

These funds are as follows:

General Fund

This fund is used for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit.

Revenues are derived primarily from property taxes and state and federal distributions, grants, and other intergovernmental revenues.

The General Fund is always considered to be a major fund for reporting purposes.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. The Township's *Fire Protection Fund* is a Special Revenue Fund.

Capital Projects Fund

These funds are used to account for the purchase and/or construction of capital facilities by a governmental unit which is not accounted for by Proprietary Funds, Special Assessment Funds, or Trust Funds. The various resources of the governmental unit to be used in the projects, such as General Fund contributions, grants from other units or government and bond proceeds, flow into the Capital Project Fund. Expenditures incurred in the development of the facility are also recorded within the Capital Project Fund. The Township's Improvement Fund is a Capital Projects Fund.

CRYSTAL FALLS TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

PROPRIETARY FUNDS

Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises----where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose. The Township's *Water Fund* and *Sewer Fund* are Enterprise Funds.

FIDUCIARY FUNDS

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds. The Township's *Tax Collection Fund* is a Fiduciary Fund.

MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current liabilities generally are included on the balance sheet in the fund statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statement of net position and statement of activities, all proprietary funds, and private trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net position or on the statement of fiduciary net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statement of net position, statement of activities, and the financial statements of Proprietary Funds and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

CRYSTAL FALLS TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

The fund financial statements of the General, Special Revenue, and Capital Projects funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within sixty days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants revenue is considered to be measurable and available as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

ENCUMBRANCES

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 appropriations, is employed for accountability purposes only.

It is the Township's policy to honor all unfilled contracts/orders at year-end, but the authority to complete these transactions is provided by the new year's budget appropriations, as unexpended appropriations of the current year lapse at year-end.

CASH AND CASH EQUIVALENTS

The Township pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

The Township classifies cash on hand, cash on deposit (including certificates of deposit), and highly liquid investments with an original maturity of ninety days or less when purchased as cash in its financial statements.

INVENTORIES

Inventories of supplies are recorded as expenditures when consumed rather than when purchased.

RECEIVABLES

Accounts which will be collected within sixty days of year-end are accrued as accounts receivable in the General, and Special Revenue Funds. User charges for the Proprietary Fund are recorded as receivable when billed. On an annual basis, the charges are reviewed for collectability. Those deemed uncollectible are assigned to the tax roll.

CRYSTAL FALLS TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

INTEREST RECEIVABLE

Interest on certificates of deposit is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

DUE TO/FROM OTHER FUNDS

Transactions between funds that had not been paid or received as of fiscal year end have been recorded as inter-fund accounts receivable and payable in the financial statements. These inter-fund receivables and payables do not represent Board-approved loans between funds.

DEFERRED REVENUE

Deferred revenue in the fund statements represent amounts for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but not considered currently available resources.

Fund Balance Reporting

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, make significant changes to the reporting fund balance and financial statement classification of various governmental funds.

Upon adoption of GASB Statement No. 54, the annual financial statements must report fund balance in the following five categories: Non-spendable, Restricted, Committed, Assigned, and Unassigned, as defined as follows:

Non-spendable Fund Balance

Amounts that are not in a spendable form, such as inventory, or required to be maintained intact (such as the corpus of an endowment fund).

Restricted Fund Balance

Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.

Committed Fund Balance

Amounts constrained to specific purposes by a government itself, using the highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

Assigned Fund Balance

Amounts a government intend to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

CRYSTAL FALLS TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

BUDGETS AND BUDGETARY ACCOUNTING

The Township follows the State of Michigan Uniform Budgeting and Accounting Act for budgeting procedures. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. Unexpended appropriations lapse at fiscal year-end.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31 of the preceding fiscal year, the Township prepares a budget for the next fiscal year beginning April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Township Board is then called for the purpose of adopting the proposed budget after sufficient public notice of the meeting has been given.
3. Prior to April 1, the budget is legally enacted through passage of a resolution by the members of the Township Board.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Township Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval.

PROPERTY TAX

Property taxes are levied on December 31 and payable in two installments, July 1 and December 1. They become delinquent the following March 1. The Township bills and collects its own property taxes and also collects taxes for the school districts, county, and library.

Collections for the schools, county, and library are accounted for in the Trust and Agency Fund. Township property tax revenues are recognized when levied to the extent they are receivable. The County of Iron purchases from the Township the delinquent real property taxes outstanding as of March 01 of each year.

The 2018 taxable valuation of the Township totaled \$93,012,193 on which ad valorem taxes levied consisted of 4.73 mills for general operating purposes.

CRYSTAL FALLS TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

CAPITAL ASSETS

The term capital assets includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the governmental-wide statements to the extent the Township's capitalization threshold of \$1,000 is met. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings and Improvements.....	15 - 60 years
Infrastructure.....	10 - 40 years
Furniture and Other Equipment.....	3 - 7 years

To the extent the Township's capitalization threshold of \$1,000 is met, capital outlays of the Enterprise Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the fund basis and the governmental-wide basis using the straight-line method and the following estimated useful lives:

Land Improvements.....	20 years
Infrastructure.....	40 - 60 years
Equipment.....	3 - 7 years

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

CRYSTAL FALLS TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (Continued)

COMPENSATED ABSENCES

Vacation

Full time Township employees may earn paid vacation after one year of employment. The employees earn paid vacation as follows:

- 1) After 1 year of employment, employees earn one work week of paid vacation.
- 2) In years 2 - 9, employees earn two work weeks of paid vacation.
- 3) In years 10 – 15, employees earn three work weeks of paid vacation.
- 4) In years 16 and thereafter, employees earn four work weeks of paid vacation.

At the end of the calendar year, full-time employees can carry over a maximum of 200 hours of vacation time that was not used during the prior year.

In the event of death, retirement, or voluntary termination, the Township will pay each person for his/her earned but unused vacation leave.

At March 31, 2019 the Township's liability for accrued vacation, plus the related costs of FICA and Medicare was \$25,394.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CRYSTAL FALLS TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

NOTE B – INTER-FUND ACTIVITIES

INTER-FUND RECEIVABLES AND PAYABLES

Inter-fund receivables and payables generally do not represent inter-fund borrowings; instead, they routinely represent actual amounts which are pending between funds at year-end due to the timing of cash flows. Generally, these amounts clear shortly after year-end when resources become available.

FUND	INTER-FUND RECEIVABLE	INTER-FUND PAYABLE
General	\$ 206	\$ 10,166
Township Improvement Fund	368	2,330
Fire Fund	2,330	19
Water Fund	-	186
Trust and Agency	9,797	-
	<hr/>	<hr/>
TOTALS	\$ 12,701	\$ 12,701

At year-end, the Trust and Agency Fund had amounts due to the General Fund from current property tax collections.

OPERATING TRANSFERS

Inter-fund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

OTHER FINANCING SOURCES (USES)

The transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

NOTE C - CASH, DEPOSITS, AND INVESTMENTS

2007 WATER SUPPLY SYSTEM JUNIOR LIEN REVENUE BOND

Pursuant to the bonding ordinance for the 2007 Water Supply System Junior Lien Revenue Bond, the following cash balances must be reserved, as follows:

Bond and Interest Redemption Account

The bonding ordinance requires that there shall be set aside on the first day of each quarter on or after November 1, 2007, an amount not less than ½ of the amount of interest due on the next interest payment date.

CRYSTAL FALLS TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (continued)

There shall be set aside on the first day of each fiscal quarter on or after November 1, 2007, an amount not less than $\frac{1}{4}$ of the amount of principal due on the next principal payment date.

On March 31, 2019, the Township was required to have a balance in the account of \$45,742. The actual balance was \$105,710. The Township was in compliance with this requirement.

Junior Lien Bond Reserve Account

There shall be set aside on the first day of each fiscal quarter at least \$4,875 (\$19,500 Annually) until \$195,000 has been deposited.

The monies in the Junior Lien Bond Reserve Account shall be used solely for the payment of the principal installments of and interest on the Bonds as to which there would otherwise be default; provided however, that in the event the amount on deposit in the Junior Lien Bond Reserve Account exceeds the Reserve Amount, the moneys in excess of the Reserve Amount shall be used to pay principal installment of and interest on the Bonds on the next payment date.

On March 31, 2019, the required balance was \$195,000. The actual balance was \$196,752. The Township was in compliance with this requirement.

Repair, Replacement and Improvement Account

There shall be set aside each fiscal quarter an amount equal to \$7,762.50, less the amount if any, deposited in the Junior Lien Bond Reserve Account.

Monies in the RRI Account shall be used and disbursed only for the purpose of paying the cost of (a) repairing any damage to and emergency maintenance of the System, (b) repairing or replacing obsolete, deteriorating, deteriorated or worn out portions of the System, (c) acquiring and constructing extensions and improvements to the System and (d) when necessary, for the purpose of making payments of principal and interest on the Bonds.

If the amount in the Junior Lien Bond and Interest Redemption Account and the Junior Lien Bond Reserve Account is not sufficient to pay the principal and interest on the Bonds when due, the moneys in the RRI Account shall be transferred to the Junior Lien Bond and Interest Redemption Account and used for the purpose.

The required balance on March 31, 2019 was \$181,259. The actual balance was \$181,718. The Township was in compliance with this requirement.

CRYSTAL FALLS TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

2017 WATER SUPPLY SYSTEM REVENUE BOND

Bond and Interest Redemption Account

There shall be set aside on the first day of each quarter, an amount not less than $\frac{1}{2}$ of the amount of interest due on the next interest payment date.

There shall be set aside on the first day of each fiscal quarter, an amount not less than $\frac{1}{4}$ of the amount of principal due on the next principal payment date.

The required balance in this account on March 31, 2019 was \$14,000. The actual balance was \$24,410. The Township was in compliance with this funding requirement.

Bond Reserve Account

There shall be set aside on the first day of each fiscal quarter at least \$1,209 (\$4,836 Annually) until \$48,360 has been deposited.

The monies in the Junior Lien Bond Reserve Account shall be used solely for the payment of the principal installments of and interest on the Bonds as to which there would otherwise be default; provided however, that in the event the amount on deposit in the Junior Lien Bond Reserve Account exceeds the Reserve Amount, the moneys in excess of the Reserve Amount shall be used to pay principal installment of and interest on the Bonds on the next payment date.

On March 31, 2019, the required balance was \$6,045. The actual balance was \$6,128. The Township was in compliance with this requirement.

There shall be set aside each fiscal quarter an amount ***Repair, Replacement and Improvement Account*** equal to \$5,466.50, less the amount if any, deposited in the Bond Reserve Account.

Monies in the RRI Account shall be used and disbursed only for the purpose of paying the cost of (a) repairing any damage to and emergency maintenance of the System, (b) repairing or replacing obsolete, deteriorating, deteriorated or worn out portions of the System, (c) acquiring and constructing extensions and improvements to the System and (d) when necessary, for the purpose of making payments of principal and interest on the Bonds.

If the amount in the Junior Lien Bond and Interest Redemption Account and the Junior Lien Bond Reserve Account is not sufficient to pay the principal and interest on the Bonds when due, the moneys in the RRI Account shall be transferred to the Junior Lien Bond and Interest Redemption Account and used for the purpose.

The required balance on March 31, 2019 was \$21,205. The actual balance was \$21,287. The Township was in compliance with this requirement.

CRYSTAL FALLS TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

2017 WATER SUPPLY SYSTEM REVENUE BOND (CONTINUED)

PRIMARY GOVERNMENT

On March 31, 2019, the carrying value of the Township's unrestricted deposits (Primary Government) was \$2,279,886 and is comprised of cash and deposits reflected in the following funds:

Governmental Funds

General Fund	\$ 1,421,715
Fire Protection Fund	74,545
Township Improvement Fund	190,926
Total Governmental Funds	1,687,186

Enterprise Funds

Water Fund	389,834
Sewer Fund	115,059
Total Enterprise Funds	504,893

Fiduciary Funds

Tax Collection Fund	87,807
Total Fiduciary Funds	87,807

TOTAL PRIMARY GOVERNMENT	\$ 2,279,886
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The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

The three levels of risk are as follows:

Category 1

Deposits which are insured or collateralized with securities held by the Township or its agent in the Township's name.

Category 2

Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

Category 3

Deposits which are not collateralized or insured.

CRYSTAL FALLS TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)

Based on these levels of risk, the Township's cash deposits (Primary Government) are classified as follows:

SCHEDULE OF CASH AND DEPOSITS

PRIMARY GOVERNMENT

	Category 1	Category 2	Category 3	Totals
Cash and Deposits	<u>\$ 500,000</u>	<u>\$ 1,779,886</u>	<u>\$ -</u>	<u>\$2,279,886</u>

STATUTORY AUTHORITY

Act 196, PA 1997, authorizes the Township to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.
5. Bankers acceptance of United States banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. Mutual funds registered under the Investment Act of 1950 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

The Township has adopted an investment policy, allowing for all types of deposits and investments listed above. The Township's deposits and investments are in compliance with its investment policy.

CRYSTAL FALLS TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

NOTE D - PENSION PLAN

Full-time employees can choose to have \$44/month put into to a 457 plan. There is no employer match.

NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

BUDGET VIOLATIONS

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated. The Township's actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis. The approved budgets of **Crystal Falls Township** were adopted at the summary level. On this basis, there were no budget violations.

NOTE F - ACCUMULATED FUND DEFICITS

At March 31, 2019 the Township had no fund balance/retained earnings deficit in any fund.

NOTE G - 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; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in the past three fiscal years.

(Continued)

CRYSTAL FALLS TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

NOTE H - CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended March 31, 2019:

	Balance March 31, 2018	Increases	Decreases	Balance March 31, 2019
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 187,143	\$ -	\$ -	\$ 187,143
 Total Capital Assets Not Being Depreciated	 187,143	 -	 -	 187,143
 <u>Other Capital Assets</u>				
Buildings & Improvements	947,242	58,690	-	1,005,932
Furniture & Equipment	932,589	-	-	932,589
 Total Other Capital Assets	 1,879,831	 58,690	 -	 1,938,521
 Less: Accumulated Depreciation	 (1,233,968)	 (45,061)	 -	 (1,279,029)
 Other Capital Assets, Net	 645,863	 13,629	 -	 659,492
 TOTAL GOVERNMENTAL ACTIVITIES	 <u>\$ 833,006</u>	 <u>\$ 13,629</u>	 <u>\$ -</u>	 <u>\$ 846,635</u>

Depreciation was charged to governmental functions as unallocated.

BUSINESS-TYPE ACTIVITIES

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended March 31, 2019:

CRYSTAL FALLS TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

NOTE H - CAPITAL ASSETS (CONTINUED)

	Balance March 31, 2018	Increases	Decreases	Balance March 31, 2019
<u>BUSINESS-TYPE ACTIVITIES</u>				
<u>Capital Assets Not Being Depreciated</u>				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
 Total Capital Assets Not Being Depreciated	 30,000	 -	 -	 30,000
<u>Other Capital Assets</u>				
Buildings	252,200	-	-	252,200
Equipment	946,303	-	-	946,303
Infrastructure	7,070,642	1,202,547	-	8,273,189
 Total Other Capital Assets	 8,269,145	 1,202,547	 -	 9,471,692
 Less: Accumulated Depreciation	 (2,646,789)	 (169,022)	 -	 (2,815,811)
 Other Capital Assets, Net	 5,622,356	 1,033,525	 -	 6,655,881
 TOTAL GOVERNMENTAL ACTIVITIES	 \$ 5,652,356	 \$1,033,525	 \$ -	 \$ 6,685,881

CRYSTAL FALLS TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

NOTE I - LONG-TERM DEBT

Long-term debt summary:

Business-Type Activities	Balance March 31, 2018	Increases	Decreases	Balance March 31, 2019	Short- Term	Long- Term
Water Supply System Junior Lien Revenue Bond, Series 2007	\$ 3,175,000	\$ -	\$ (52,000)	\$ 3,123,000	\$ 55,000	\$3,068,000
2017 Water Supply System Revenue Bond	1,466,000	-	(28,000)	1,438,000	28,000	1,410,000
Totals	\$ 4,641,000	\$ -	\$ (80,000)	\$ 4,561,000	\$ 83,000	\$4,478,000

WATER SUPPLY SYSTEM REVENUE BOND, SERIES 2017

\$1,466,000 – In December 2017, the Township issued revenue bonds to finance improvements to the water supply system. The bonds bear interest at a rate of 1.375% per annum, and principal and interest payments will be made per the following schedule for the years ending March 31:

Year Ending March 31:	May 1 Interest	Interest	November 1 Principal	Total
2020	\$ 9,886	\$ 9,886	\$ 28,000	\$ 47,772
2021	9,694	9,694	29,000	48,388
2022	9,494	9,494	29,000	47,988
2023	9,295	9,295	29,000	47,590
2024	9,096	9,096	30,000	48,192
2025	8,889	8,889	30,000	47,778
2026	8,683	8,683	31,000	48,366
2027	8,470	8,470	31,000	47,940
2028	8,257	8,257	31,000	47,514
2029	8,044	8,044	32,000	48,088

(continued next page)

CRYSTAL FALLS TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

NOTE I - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY SYSTEM REVENUE BOND, SERIES 2017 (Continued)

2030	7,824	7,824	32,000	47,648
2031	7,604	7,604	33,000	48,208
2032	7,377	7,377	33,000	47,754
2033	7,150	7,150	34,000	48,300
2034	6,916	6,916	34,000	47,832
2035	6,683	6,683	35,000	48,366
2036	6,442	6,442	35,000	47,884
2037	6,201	6,201	35,000	47,402
2038	5,961	5,961	36,000	47,922
2039	5,713	5,713	36,000	47,426
2040	5,466	5,466	37,000	47,932
2041	5,211	5,211	37,000	47,422
2042	4,957	4,957	38,000	47,914
2043	4,696	4,696	39,000	48,392
2044	4,428	4,428	39,000	47,856
2045	4,159	4,159	40,000	48,318
2046	3,884	3,884	40,000	47,768
2047	3,609	3,609	41,000	48,218
2048	3,328	3,328	41,000	47,656
2049	3,046	3,046	42,000	48,092
2050	2,757	2,757	42,000	47,514
2051	2,468	2,468	43,000	47,936
2052	2,173	2,173	44,000	48,346
2053	1,870	1,870	44,000	47,740
2054	1,568	1,568	45,000	48,136
2055	1,258	1,258	45,000	47,516
2056	949	949	46,000	47,898
2057	633	633	46,000	47,266
2058	309	309	46,000	46,618
Totals	<u>\$ 214,448</u>	<u>\$ 214,448</u>	<u>\$ 1,438,000</u>	<u>\$ 1,866,896</u>

CRYSTAL FALLS TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

NOTE I - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY SYSTEM REVENUE BONDS -SERIES 2007

The Township issued \$3,589,000 of limited revenue bonds on May 17, 2007, for the updating and enlargement of the water supply and distribution system. Payment of the bonds began in 2008 and run to 2048, with interest rates of 4.125%. The entire bond issue was originally purchased by the Michigan Municipal Bond Authority under the Local Government Loan Re-funder Program, and subsequently purchased by USDA-Rural Development. Scheduled payments of principal and interest are as follows for the years ending March 31:

Year(s) Ending	May 1	November 1		
March 31:	Interest	Interest	Principal	Total
2019-2020	64,412	9,886	55,000	129,298
2020-2021	63,278	9,694	57,000	129,972
2021-2026	297,640	9,494	326,000	633,134
2026-2031	260,865	9,295	407,000	677,160
2031-2036	214,892	9,096	507,000	730,988
2036-2041	157,740	8,889	632,000	798,629
2041-2046	86,439	8,683	786,000	881,122
2046-2048	10,869	8,470	353,000	372,339
Totals	\$ 1,156,135	\$ 73,507	\$ 3,123,000	\$ 4,352,642

NOTE J - SEGMENT INFORMATION - Enterprise Funds

	Water System	Sewer System	Total Enterprise
Operating Revenues	\$ 449,529	\$ 137,733	\$ 587,262
Depreciation and Amortization	158,829	5,965	164,794
Operating Income (Loss)	99,910	(30,935)	68,975
Capital Grants	-	24,212	24,212
Net Income (Loss)	(31,130)	(31,820)	(62,950)
Net Working Capital	1,434,723	101,688	1,536,411
Property, Plant & Equipment			
Additions	119,162	-	119,162
Total Assets	7,727,559	220,570	7,948,129
Bonds and Other Long-Term Liabilities			
Payable from Operating Revenues	4,561,000	-	4,561,000
Total Equity	2,982,231	208,206	3,190,437

CRYSTAL FALLS TOWNSHIP

**NOTES TO THE FINANCIAL STATEMENTS
(CONTINUED)**

MARCH 31, 2019

NOTE K - RELATED PARTY TRANSACTIONS

Related parties exist when there is a relationship that offers potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements. On this basis, there are no related party transactions reported in the financial statements.

NOTE L - SUBSEQUENT EVENTS

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure. They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

As of August 12, 2019, the date the financial statements were available to be released, there were no subsequent events that would have a significant effect on the Township's operations.

NOTE M - COMMITMENTS AND CONTINGENCIES

The Township relies on state and other funding sources as well as property taxes for its operations. Should any such funding become unavailable, the ability to provide services could be negatively affected. Management believes this possibility is remote.

REQUIRED SUPPLEMENTAL INFORMATION

CRYSTAL FALLS TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FISCAL YEAR ENDED MARCH 31, 2019

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
<u>REVENUE</u>			
General property taxes	\$ 444,000	\$ 444,000	\$ 440,876
Other local taxes and fees	54,830	54,830	56,723
Use of money and property	5,000	5,000	8,800
Charges for services	50,900	50,900	52,567
Miscellaneous	10,301	10,301	7,832
Intergovernmental	<u>153,000</u>	<u>153,000</u>	<u>183,167</u>
TOTAL REVENUE	718,031	718,031	749,965
<u>EXPENDITURES</u>			
General government	132,552	132,552	145,631
Legislative	41,017	41,017	36,209
Township property	78,172	78,172	39,962
Department of Public Works	179,236	190,298	179,850
Public Safety	95,000	95,000	95,000
Community Promotion and Recreation	<u>36,379</u>	<u>36,379</u>	<u>21,292</u>
TOTAL EXPENDITURES	562,356	573,418	517,944
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating transfers out	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>
Net Change in Fund Balance	5,675	(5,387)	82,021
Fund Balance -Beginning of year	<u>1,338,598</u>	<u>1,338,598</u>	<u>1,338,598</u>
Fund Balance - End of year	<u><u>\$ 1,344,273</u></u>	<u><u>\$ 1,333,211</u></u>	<u><u>\$ 1,420,619</u></u>

The notes to the financial statements are an integral part of this report.

CRYSTAL FALLS TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE – FIRE PROTECTION FUND

YEAR ENDED MARCH 31, 2019

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
<u>REVENUES</u>			
Charges for Services	\$ 67,000	\$ 67,000	\$ 69,877
Other Revenue/Miscellaneous	-	-	2,000
Interest Income	2,000	2,000	3,374
TOTAL REVENUES	69,000	69,000	75,251
<u>EXPENDITURES</u>			
<u>Fire Protection</u>			
Contract Services - Other	1,300	1,300	777
Salaries & Wages	41,186	41,186	26,445
Payroll Taxes & Benefits	40,107	40,107	53,347
Operating Supplies	10,000	10,000	7,912
Dues & Subscriptions	400	400	-
Utilities	800	800	617
Repairs and Maintenance	5,000	5,000	5,954
Hydrant Rental	8,000	8,000	8,000
Building Rental	11,400	11,400	11,400
Insurance & Bonds	11,500	11,500	10,567
Other Expenses	2,300	2,300	976
Total Fire Protection	131,993	131,993	125,995
TOTAL EXPENDITURES	131,993	131,993	125,995
Excess of Revenues Over (Under) Expenditures	(62,993)	(62,993)	(50,744)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In (Out)	95,000	95,000	95,000
Operating Transfers In (Out)	(32,000)	(32,000)	(32,000)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	7	7	12,256
FUND BALANCE, APRIL 1	54,225	54,225	54,225
FUND BALANCE, MARCH 31	\$ 54,232	\$ 54,232	\$ 66,481

The notes to the financial statements are an integral part of this report.

CRYSTAL FALLS TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE – TOWNSHIP IMPROVEMENT FUND

FISCAL YEAR ENDED MARCH 31, 2019

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
<u>Revenue</u>			
Interest	\$ 1,500	\$ 1,500	\$ 2,059
Total Revenue	1,500	1,500	2,059
 <u>Expenditures</u>			
Contracted Services	80,000	80,000	13,440
Capital Outlay	100,000	140,000	58,690
Total Expenditures	180,000	220,000	72,130
 Excess of Revenues Over (Under) Expenditures	(178,500)	(218,500)	(70,071)
 <u>Other Financing Sources (Uses)</u>			
Operating transfers in (out)	182,000	182,000	182,000
 Net Change in Fund Balance	3,500	(36,500)	111,929
 Fund Balance -Beginning of year	76,675	76,675	76,675
 Fund Balance - End of year	<u>\$ 80,175</u>	<u>\$ 40,175</u>	<u>\$ 188,604</u>

The notes to the financial statements are an integral part of this report.

OTHER SUPPLEMENTAL INFORMATION

CRYSTAL FALLS TOWNSHIP

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - TRUST AND AGENCY FUND

FISCAL YEAR ENDED MARCH 31, 2019

	<u>Balance 3/31/2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/2019</u>
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash	\$ 87,452	\$ 3,305,092	\$ 3,304,738	\$ 87,806
TOTAL ASSETS	<u>\$ 87,452</u>	<u>\$ 3,305,092</u>	<u>\$ 3,304,738</u>	<u>\$ 87,806</u>
<u>LIABILITIES</u>				
<u>Current Liabilities</u>				
Due to Other Funds	9,497	417,442	417,141	9,798
Due to County	19,615	1,553,963	1,554,279	19,299
Due to Schools	1,818	945,320	943,766	3,372
Due to DIISD	4,432	244,502	244,569	4,365
Due to Library	1,681	90,648	90,663	1,666
Due to State	50,068	49,308	50,068	49,308
Due to Taxpayers	343	3,909	4,252	-
TOTAL LIABILITIES	<u>\$ 87,454</u>	<u>\$ 3,305,092</u>	<u>\$ 3,304,738</u>	<u>\$ 87,808</u>

The notes to the financial statements are an integral part of this report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Haukkala & Co., P.C.

***101 West Maple Street, Iron River, MI 49935
Tel (906) 265-1040 Fax (906) 265-1042***

Board of Trustees
Crystal Falls Township
1384 Hwy US 2
Crystal Falls, MI 49920

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and with the standards prescribed by the State Treasurer, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Crystal Falls Township** as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise **Crystal Falls Township's** basic financial statements, and have issued our report thereon dated August 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Crystal Falls Township's** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Crystal Falls Township's** internal control. Accordingly, we do not express an opinion on the effectiveness of **Crystal Falls Township's** internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

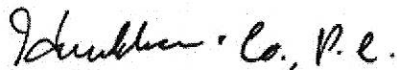
As part of obtaining reasonable assurance about whether **Crystal Falls Township's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and are described in the accompanying Schedule of Findings and Responses as items (2019-100) and (2019-200).

Crystal Falls Township's Response to Findings

Crystal Falls Township's response to the findings in our audit is described in the accompanying Schedule of Findings and Responses. **Crystal Falls Township's** responses was not subjected to the auditing procedures in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.



HAUKKALA & CO., P.C.

August 12, 2019

SCHEDULE OF FINDINGS AND RESPONSES

CRYSTAL FALLS TOWNSHIP

Schedule of Findings and Responses
For the Year Ended March 31, 2019

Current Year Findings

MATERIAL WEAKNESSES

There are no matters to report.

SIGNIFICANT DEFICIENCIES

(2019-100)

Ability to Prepare Financial Statements and Related Note Disclosures

Problem:

Like other local units of government of similar size, limited financial summaries and abbreviated financial statements are made available for the Township Board members. The Township relies on auditors to draft its financial statements and related disclosures in accordance with generally accepted accounting principles. Board members review and accept the financial statements on behalf of the Township. The Township does not have staff familiar enough in all aspects of the Township reporting entity to be able to draft the financial statements and related note disclosures. Therefore, the condition is considered to be a significant deficiency. The hiring of additional personnel to prepare the financial statements would not be cost effective.

Recommendation:

Members of the Township Board should remain involved in the financial reporting process to provide an oversight function.

Response:

Township officials agree and will continue to use the auditor's assistance in drafting its financial statements and will remain involved in the financial reporting process.

(2019-200)

Audit Adjustments

Problem:

The Township relies on its auditors to prepare year-end non-recurring adjusting journal entries to adjust its financial statements. Township Board members review and accept the adjusting entries on behalf of the Township.

Recommendation:

Members of the Township Board should continue to review and approve non-recurring entries.

Response:

Township officials agree and will continue to use the auditor's assistance in preparing year-end adjusting journal entries.