

TOWNSHIP OF NORWICH  
Missaukee County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2014

TOWNSHIP OF NORWICH  
Missaukee County, Michigan

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## INDEPENDENT AUDITOR'S REPORT

May 28, 2014

To the Township Board  
Township of Norwich  
Missaukee County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, of the Township of Norwich, Missaukee County, Michigan as of and for the year ended March 31, 2014, which collectively comprise the Township's basic financial statements as listed in the table of contents.

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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Norwich, Missaukee County, Michigan as of March 31, 2014, and the respective changes in 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.

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

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell Auditing CPA, PLC*

CAMPBELL AUDITING CPA, PLC

TOWNSHIP OF NORWICH  
Missaukee County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2014

The Management's Discussion and Analysis report of the Township of Norwich covers the Township's financial performance during the year ended March 31, 2014.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net position at March 31, 2014, totaled \$488,008.13 for governmental activities.

Overall revenues were \$144,024.57. Governmental activities had a \$8,177.05 increase in net position.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net position includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net position and how it has changed. Net position is the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net position is an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund and the Fire Fund.

TOWNSHIP OF NORWICH  
Missaukee County, Michigan

CONDENSED FINANCIAL INFORMATION  
For the Year Ended March 31, 2014

	Total Governmental Activities 2014
Current Assets	269 200
Capital Assets	218 808
<b>Total Assets</b>	<b>488 008</b>
Current Liabilities	-
Non-current Liabilities	-
<b>Total Liabilities</b>	<b>-</b>
Net Position:	
Invested in Capital Assets	218 808
Unrestricted	269 200
<b>Total Net Position</b>	<b>488 008</b>

	Total Governmental Activities 2014
Program Revenues:	
Fees and Charges for Services	12 895
General Revenues:	
Property Taxes	73 992
Other Taxes	5 627
State Revenue Sharing	49 021
Interest	392
Miscellaneous	2 098
<b>Total Revenues</b>	<b>144 025</b>
Program Expenses:	
Legislative	3 200
General Government	70 070
Public Safety	44 903
Public Works	3 380
Other	14 295
<b>Total Expenses</b>	<b>135 848</b>
Change in Net Position	8 177
Net Position, April 1, 2013	479 831
Net Position, March 31, 2014	<b>488 008</b>

TOWNSHIP OF NORWICH  
Missaukee County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2014

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund and the Fire Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable. Net position was \$488,008.13 at March 31, 2014 which is an increase of \$8,177.05 from the prior year. The charge was due impart to an increase in taxable values. Refer to Page 4 for a summary of the Township's financial activities.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are Assessing which incurred expenses of \$10,404.25 and Building and Grounds which incurred expenses of \$20,218.32. The Fire Fund pays for the Township's fire services. Fire protection incurred expenses of \$34,741.21.

BUDGETARY HIGHLIGHTS

The Township's budget was compiled and adopted prior to the beginning of the fiscal year. Amendments were made during the year to bring budgeted items closer to economic reality. Revenues were \$18,825.48 over budget due in part to state revenue sharing being much higher than anticipated. Expenses were \$29,941.36 under budget due in part to expenditures for Building and grounds being much less than expected.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets this year.

Refer to Note 4 for a summary of the Township's capital asset activity.

The Township has no debt at this time.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk, Lois Whipple at (231)229-4232.

TOWNSHIP OF NORWICH  
Missaukee County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET POSITION  
March 31, 2014

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	<u>269 199 85</u>
Total Current Assets	<u>269 199 85</u>
NON-CURRENT ASSETS:	
Capital Assets	590 399 71
Less: Accumulated Depreciation	<u>(371 591 43)</u>
Total Non-current Assets	<u>218 808 28</u>
TOTAL ASSETS	<u><u>488 008 13</u></u>
LIABILITIES AND NET POSITION:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES:	<u>-</u>
Total Non-Current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET POSITION:	
Invested in Capital Assets, Net of Related Debt	218 808 28
Unrestricted	<u>269 199 85</u>
Total Net Position	<u>488 008 13</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>488 008 13</u></u>

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



TOWNSHIP OF NORWICH  
Missaukee County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year ended March 31, 2014

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Position</u>
FUNCTIONS/PROGRAMS		Charges for Services	
Governmental Activities:			
Legislative	3 200 00	-	(3 200 00)
General government	70 070 33	2 395 00	(67 675 33)
Public safety	44 902 48	10 500 00	(34 402 48)
Public works	3 379 89	-	(3 379 89)
Other	<u>14 294 82</u>	<u>-</u>	<u>(14 294 82)</u>
 Total Governmental Activities	 <u>135 847 52</u>	 <u>12 895 00</u>	 <u>(122 952 52)</u>
 General Revenues:			
Property taxes			73 991 52
Other taxes – swamp			5 627 10
State revenue sharing			49 020 70
Interest			391 80
Miscellaneous			<u>2 098 45</u>
 Total General Revenues			 <u>131 129 57</u>
 Change in net position			 (8 177 05)
 Net position, beginning of year			 <u>479 831 08</u>
 Net Position, End of Year			 <u>488 008 13</u>

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

TOWNSHIP OF NORWICH  
Missaukee County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS

March 31, 2014

	General	Fire	Total
<u>Assets</u>			
Cash in bank	178 988 39	90 211 46	269 199 85
Due from other funds	17 000 00	-	17 000 00
Total Assets	195 988 39	90 211 46	286 199 85
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Due to other funds	-	17 000 00	17 000 00
Total liabilities	-	17 000 00	17 000 00
Fund equity:			
Fund balances:			
Restricted	-	73 211 46	73 211 46
Unassigned	195 988 39	-	195 988 39
Total fund equity	195 988 39	73 211 46	269 199 85
Total Liabilities and Fund Equity	195 988 39	90 211 46	286 199 85

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

TOWNSHIP OF NORWICH  
Missaukee County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
March 31, 2014

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	269 199 85
Amounts reported for governmental activities in the statement of net position are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	590 399 71
Accumulated depreciation	<u>(371 591 43)</u>
TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES	<u><u>488 008 13</u></u>

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

TOWNSHIP OF NORWICH  
Missaukee County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2014

	General	Fire	Total
Revenues:			
Property taxes	42 679 88	31 311 64	73 991 52
Other taxes - swamp	5 627 10	-	5 627 10
State revenue sharing	49 020 70	-	49 020 70
Charges for services	2 075 00	10 500 00	12 575 00
Interest	311 35	80 45	391 80
Rent	320 00	-	320 00
Miscellaneous	941 45	1 157 00	2 098 45
Total revenues	100 975 48	43 049 09	144 024 57
Expenditures:			
Legislative:			
Township Board	3 200 00	-	3 200 00
General government:			
Supervisor	4 200 00	-	4 200 00
Elections	329 53	-	329 53
Assessor	10 404 25	-	10 404 25
Clerk	8 500 00	-	8 500 00
Board of Review	600 00	-	600 00
Treasurer	7 800 00	-	7 800 00
Building and grounds	20 218 32	-	20 218 32
Cemetery	3 155 00	-	3 155 00
Unallocated	8 590 83	-	8 590 83
Public safety:			
Fire protection	-	34 471 21	34 741 21
Public works:			
Highways and streets	3 379 89	-	3 379 89
Other functions:			
Insurance	11 163 00	-	11 163 00
Pension	2 678 00	-	2 678 00
Payroll taxes	453 82	-	453 82
Total expenditures	84 672 64	34 741 21	119 413 85
Excess (deficiency) of revenues over expenditures	16 302 84	8 307 88	24 610 72
Fund balances, April 1, 2013	179 685 55	64 903 58	244 589 13
Fund Balances, March 31, 2014	195 988 39	73 211 46	269 199 85

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

TOWNSHIP OF NORWICH  
Missaukee County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2014

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 24 610 72

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	(16 433 67)
Capital Outlay	<u>-</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES 8 177 05

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

TOWNSHIP OF NORWICH  
Missaukee County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year Ended March 31, 2014

	<u>Balance</u> <u>4/1/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/14</u>
<u>Assets</u>				
Cash in Bank	<u>2 896 14</u>	<u>825 483 31</u>	<u>793 287 80</u>	<u>35 091 65</u>
<u>Liabilities</u>				
Due to other funds	2 896 14	57 640 65	60 536 79	-
Due to other units	<u>-</u>	<u>767 842 66</u>	<u>732 751 01</u>	<u>35 091 65</u>
Total Liabilities	<u>2 896 14</u>	<u>825 483 31</u>	<u>793 287 80</u>	<u>35 091 65</u>

TOWNSHIP OF NORWICH  
Missaukee County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year ended March 31, 2014

Cash in bank – beginning of year	<u>2 896 14</u>
Cash receipts:	
Property tax	<u>825 483 31</u>
Total cash receipts	<u>825 483 31</u>
Total beginning balance and cash receipts	<u>828 379 45</u>
Cash disbursements:	
Township General Fund	60 536 79
Missaukee County	323 202 55
Wexford-Missaukee ISD	106 904 02
Lake City Area School	290 877 17
Missaukee District Library	6 064 76
Refunds	<u>5 702 51</u>
Total cash disbursements	<u>793 287 80</u>
Cash in Bank – End of Year	<u><u>35 091 65</u></u>

TOWNSHIP OF NORWICH  
Missaukee County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2014

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Norwich, Missaukee County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Norwich. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.



TOWNSHIP OF NORWICH  
Missaukee County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Position or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2013 tax roll millage rate was 2.4551 mills, and the taxable value was \$27,087,368.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF NORWICH  
Missaukee County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building and improvements	10-50 years
Equipment	5-20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

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

Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.

The proposed budgets include expenditures as well as the methods of financing them.

Public hearings are held to obtain taxpayer comments.

The budgets are adopted at the activity level by a majority vote of the Township Board.

The budgets are adopted on the modified accrual basis of accounting.

The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

The adopted budgets are used as a management control device during the year for all budgetary funds.

Budget appropriations lapse at the end of each fiscal year.

The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF NORWICH  
Missaukee County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one financial institution for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>304 291 50</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	250 000 00
Uninsured and Uncollateralized	<u>55 501 75</u>
Total Deposits	<u>305 501 75</u>

The Township did not have any investments as of March 31, 2014.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds are the mutual funds and do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

TOWNSHIP OF NORWICH  
Missaukee County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

Note 3 – Deposits and Investments (continued)

Custodial Credit Risk (continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental and Business-Type activities for the year ended March 31, 2014 was as follows:

	<u>Balance 4/1/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/14</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	5 000 00	-	-	5 000 00
Subtotal	<u>5 000 00</u>	<u>-</u>	<u>-</u>	<u>5 000 00</u>
Capital assets being depreciated:				
Land improvements	8 000 00	-	-	8 000 00
Buildings	254 390 00	-	-	254 390 00
Equipment	323 009 71	-	-	323 009 71
Subtotal	<u>585 399 71</u>	<u>-</u>	<u>-</u>	<u>585 399 71</u>
Total	<u>590 399 71</u>	<u>-</u>	<u>-</u>	<u>590 399 71</u>
Accumulated Depreciation:				
Land improvements	(8 000 00)	-	-	(8 000 00)
Buildings	(137 039 00)	(5 219 50)	-	(142 258 50)
Equipment	(210 118 76)	(11 214 17)	-	(221 332 93)
Total	<u>(355 157 76)</u>	<u>(16 433 67)</u>	<u>-</u>	<u>(371 591 43)</u>
Net Capital Assets	<u>235 241 95</u>	<u>(16 433 67)</u>	<u>-</u>	<u>218 808 28</u>

Depreciation expense was charged to the following activities:

General government	6 272 40
Public safety	10 161 27
	<u>16 433 67</u>

Note 5 – Pension Plan

The township has a defined contribution plan covering all full-time employees. The township contributes a percentage of each covered employee's wages to the plan. The covered employees also contribute a percentage of their wages to the plan. The net pension expense for the fiscal year ended March 31, 2014, was \$2,678.00.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

TOWNSHIP OF NORWICH  
Missaukee County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The township of Norwich does not issue building permits. Building permits are issued by the County of Missaukee.

TOWNSHIP OF NORWICH  
Missaukee County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended March 31, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	43 000 00	43 000 00	42 679 88	(320 12)
Other taxes - swamp	3 500 00	3 500 00	5 627 10	2 127 10
State revenue sharing	35 000 00	35 000 00	49 020 70	14 020 70
Charges for services	-	-	2 075 00	2 075 00
Interest	250 00	250 00	311 35	61 35
Rent	300 00	300 00	320 00	20 00
Miscellaneous	100 00	100 00	941 45	841 45
	<u>82 150 00</u>	<u>82 150 00</u>	<u>100 975 48</u>	<u>18 825 48</u>
Total revenues				
Expenditures:				
Legislative:				
Township Board	3 200 00	3 200 00	3 200 00	-
General government:				
Supervisor	4 200 00	4 200 00	4 200 00	-
Elections	2 150 00	2 150 00	329 53	(1 820 47)
Assessor	13 500 00	13 500 00	10 404 25	(3 095 75)
Clerk	9 100 00	9 100 00	8 500 00	(600 00)
Board of review	1 250 00	1 250 00	600 00	(650 00)
Treasurer	8 250 00	8 250 00	7 800 00	(450 00)
Building and grounds	34 200 00	34 200 00	20 218 32	(13 981 68)
Cemetery	5 000 00	5 000 00	3 155 00	(1 845 00)
Unallocated	12 580 00	14 280 00	8 590 83	(5 689 17)
Public works:				
Highways and streets	4 000 00	4 000 00	3 379 89	(620 11)
Other functions:				
Insurance	12 000 00	12 000 00	11 163 00	(837 00)
Pension	1 450 00	2 684 00	2 678 00	(6 00)
Payroll taxes	800 00	800 00	453 82	(346 18)
	<u>111 680 00</u>	<u>114 614 00</u>	<u>84 672 64</u>	<u>(29 941 36)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(29 530 00)	(32 464 00)	16 302 84	48 766 84
Fund balance, April 1, 2013	<u>29 530 00</u>	<u>32 464 00</u>	<u>179 685 55</u>	<u>147 221 55</u>
Fund Balance, March 31, 2014	<u>-</u>	<u>-</u>	<u>195 988 39</u>	<u>195 988 39</u>

TOWNSHIP OF NORWICH  
Missaukee County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND

Year ended March 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	26 000 00	26 000 00	31 311 64	5 311 64
Charges for services – fire	10 000 00	10 000 00	10 500 00	500 00
Interest	-	-	80 45	80 45
Miscellaneous	-	-	1 157 00	1 157 00
	<u>36 000 00</u>	<u>36 000 00</u>	<u>43 049 09</u>	<u>7 049 09</u>
Total revenues				
Expenditures:				
Public safety:				
Fire protection	54 385 00	54 385 00	34 741 21	(19 643 79)
Capital outlay	1 000 00	1 150 00	-	(1 150 00)
	<u>55 385 00</u>	<u>55 535 00</u>	<u>34 741 21</u>	<u>(20 793 79)</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(19 385 00)	(19 535 00)	8 307 88	27 842 88
Fund balance, April 1, 2013	<u>19 385 00</u>	<u>19 535 00</u>	<u>64 903 58</u>	<u>45 368 58</u>
Fund Balance, March 31, 2014	<u>-</u>	<u>-</u>	<u>73 211 46</u>	<u>73 211 46</u>

TOWNSHIP OF NORWICH  
Missaukee County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2014

Township Board	<u>3 200 00</u>
Supervisor:	
Salary	<u>4 200 00</u>
Election:	
Repairs and maintenance	270 53
Supplies	<u>59 00</u>
	<u>329 53</u>
Assessor:	
Contracted Services	<u>10 404 25</u>
Clerk:	
Salary	<u>8 500 00</u>
Board of Review:	
Wages	<u>600 00</u>
Treasurer:	
Salary	<u>7 800 00</u>
Building and grounds:	
Wages	572 00
Repairs and maintenance	1 306 66
Utilities	13 466 92
Supplies	1 322 40
Miscellaneous	<u>3 550 34</u>
	<u>20 218 32</u>
Cemetery:	
Wages	3 000 00
Repairs and maintenance	<u>155 00</u>
	<u>3 155 00</u>
Unallocated:	
Printing and publishing	161 01
Dues	588 57
Supplies	2 703 97
Repairs and maintenance	588 00
Miscellaneous	2 113 58
Contracted services	<u>2 435 70</u>
	<u>8 590 83</u>
Highways and streets	<u>3 379 89</u>
Insurance	<u>11 163 00</u>
Pension	<u>2 678 00</u>
Payroll taxes	<u>453 82</u>
Total Expenditures	<u><u>84 672 64</u></u>



# CAMPBELL AUDITING CPA, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 28, 2014

To the Township Board  
Township of Norwich  
Missaukee County, Michigan

We have audited the financial statements of the Township of Norwich for the year ended March 31, 2014. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Norwich in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Norwich  
Missaukee County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

The Township's system of internal control is affected by the size of the staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

#### **PREPARATION OF FINANCIAL STATEMENTS**

Government units are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the governmental unit rests with the governmental unit's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many governmental units to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal control.

To the Township Board  
Township of Norwich  
Missaukee County, Michigan

**COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**  
(cont.)

PREPARATION OF FINANCIAL STATEMENTS (cont.)

The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the governmental unit's annual financial statements and notes to the financial statements in accordance with GAAP. The governmental unit relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We do not recommend any changes to this situation at this time and we communicate this as required by professional standards.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, for the year ended March 31, 2014.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell Auditing CPA, PLC*

CAMPBELL AUDITING CPA, PLC