

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2013

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-4
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	5
Government-wide Statement of Activities	6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	7
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	8
Statement of Revenues, Expenditures, and Changes in Fund Balances	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Notes to Financial Statements	11-16
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	17
Other supporting information:	
General Fund Expenditures by Detailed Account	18-19
Current Tax Collection Fund – Statement of Changes in Assets and Liabilities	20

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA

512 N. LINCOLN AVE. - SUITE 100  
P. O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494  
campbell.co@sbcglobal.net

## INDEPENDENT AUDITOR'S REPORT

April 22, 2013

To the Township Board  
Township of Nottawa  
Isabella County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Nottawa, Isabella County, Michigan as of and for the year ended March 31, 2013, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Nottawa's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Nottawa, Isabella County, Michigan as of March 31, 2013, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2013

The Management's Discussion and Analysis report of the Township of Nottawa covers the Township's financial performance during the year ended March 31, 2013.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year.

Overall revenues were \$289,222.82 from governmental activities with a \$51,498.79 increase in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of the basic financial statements and required supplementary information.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole. The statement of net assets includes all 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.

All of the activities of the Township are reported as governmental activities. These include the General Fund.

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.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant is Fire protection which incurred expenses of \$48,510.00.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$2,448.21 in capital assets.

The Township's governmental activities paid \$0 in principal on long-term debt.

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

CONDENSED FINANCIAL INFORMATION  
For the Year Ended March 31, 2013

	Total Governmental Activities 2012	Total Governmental Activities 2013
Current Assets	245 326	312 997
Capital Assets	296 051	279 962
Total Assets	541 377	592 959
Current Liabilities	758	842
Non-current Liabilities	-	-
Total Liabilities	758	842
Net Assets:		
Invested in Capital Assets	296 051	279 962
Unrestricted	244 568	312 155
Total Net Assets	540 619	592 117
	Total Governmental Activities 2012	Total Governmental Activities 2013
Program Revenues:		
Fees and charges for services	4 121	5 289
General Revenues:		
Property taxes	65 204	66 368
State revenue sharing	161 109	171 159
Casino revenue sharing	69 721	41 436
Interest	599	391
Miscellaneous	8 797	4 579
Total Revenues	309 551	289 222
Program Expenses:		
Legislative	14 722	16 111
General Government	88 085	90 301
Public Safety	25 542	49 264
Public Works	48 613	59 284
Recreation and Culture	20 412	22 764
Total Expenses	197 374	237 724
Change in Net Assets	112 177	51 498
Net Assets, April 1	428 442	540 619
Net Assets, March 31	540 619	592 117

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2013

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 at 1887 N. Winn Road, Weidman, Michigan 48893.

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2013

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	<u>312 996 75</u>
Total Current Assets	<u>312 996 75</u>
NON-CURRENT ASSETS:	
Capital Assets	407 255 09
Less: Accumulated Depreciation	<u>(127 292 60)</u>
Total Non-current Assets	<u>279 962 49</u>
TOTAL ASSETS	<u><u>592 959 24</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>841 81</u>
Total Current Liabilities	<u>841 81</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>841 81</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	279 962 49
Unrestricted	<u>312 154 94</u>
Total Net Assets	<u>592 117 43</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>592 959 24</u></u>

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

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Year ended March 31, 2013

	<u>Expenses</u>	<u>Program Revenue</u>  <u>Charges for Services</u>	<u>Governmental Activities</u> <u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	16 110 89	-	(16 110 89)
General government	90 301 48	5 289 50	(85 011 98)
Public safety	49 263 71	-	(49 263 71)
Public works	59 283 74	-	(59 283 74)
Culture and recreation	22 764 21	-	(22 764 21)
	<u>237 724 03</u>	<u>5 289 50</u>	<u>(232 434 53)</u>
Total Governmental Activities			
General Revenues:			
Property taxes			66 368 40
State revenue sharing			171 158 54
Casino revenue sharing			41 435 80
Interest			391 49
Miscellaneous			4 579 09
			<u>283 933 32</u>
Total General Revenues			
Change in net assets			51 498 79
Net assets, beginning of year			<u>540 618 64</u>
Net Assets, End of Year			<u><u>592 117 43</u></u>

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



TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS

March 31, 2013

	<u>General</u>
<u>Assets</u>	
Cash in bank	312 827 60
Due from other funds	<u>169 15</u>
Total Assets	<u><u>312 996 75</u></u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Accounts payable	<u>841 81</u>
Total liabilities	<u>841 81</u>
Fund equity:	
Fund balances:	
Unassigned	<u>312 154 94</u>
Total fund equity	<u>312 154 94</u>
Total Liabilities and Fund Equity	<u><u>312 996 75</u></u>

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

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2013

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	312 154 94
Amounts reported for governmental activities in the statement of net assets 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	407 255 09
Accumulated depreciation	<u>(127 292 60)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>592 117 43</u>

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

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2013

	General
Revenues:	
Property taxes	66 368 40
State revenue sharing	171 158 54
Casino revenue sharing	41 435 80
Charges for services	5 289 50
Interest	391 49
Miscellaneous	4 579 09
Total revenues	289 222 82
Expenditures:	
Legislative:	
Township Board	16 110 89
General government:	
Supervisor	10 144 92
Elections	2 858 93
Assessor	19 692 00
Clerk	11 121 21
Board of Review	1 184 17
Treasurer	14 840 79
Building and grounds	3 951 00
Cemetery	6 895 96
Unallocated	13 077 69
Public safety:	
Liquor control	753 71
Fire protection	48 510 00
Public works:	
Highways and streets	44 433 36
Street lights	8 117 64
Drains	6 732 74
Culture and recreation:	
Parks and recreation	10 762 37
Capital outlay	2 448 21
Total expenditures	221 635 59
Excess (deficiency) of revenues over expenditures	67 587 23
Fund balance, April 1, 2012	244 567 71
Fund Balance, March 31, 2013	312 154 94

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

TOWNSHIP OF NOTTAWA  
Isabella 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, 2013

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	67 587 23
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	(18 536 65)
Capital Outlay	<u>2 448 21</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>51 498 79</u></u>

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

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Nottawa, Isabella 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 Nottawa. 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 Assets and the Statement of Changes in Net Assets) 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 assets are 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 NOTTAWA  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

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.

Fiduciary Fund

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

Assets, Liabilities and Net Assets 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 2012 tax roll millage rate was 1.0000 mills, and the taxable value was \$65,565,110.00.

Encumbrances

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

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

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 \$100.00 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:

Buildings, additions and improvements	15-30 years
Furniture and equipment	15 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.

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2013

Note 2 – Budgets and Budgetary Accounting (continued)

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.

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>312,996.75</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>66,824.75</u>
Total Deposits	<u>316,824.75</u>

The Township of Nottawa did not have any investments as of March 31, 2013.

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.



TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

Note 3 – Deposits and Investments (continued)

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 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.

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 activities for the current year was as follows:

	<u>Balance</u> 4/1/12	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 3/31/13
<u>Governmental Activities:</u>				
Land	66 820 44	-	-	66 820 44
Buildings	224 369 71	-	-	224 369 71
Equipment	<u>113 616 73</u>	<u>2 448 21</u>	-	<u>116 064 94</u>
Total	404 806 88	2 448 21	-	407 255 09
Accumulated Depreciation	<u>(108 755 95)</u>	<u>(18 536 65)</u>	-	<u>(127 292 60)</u>
Net Capital Assets	<u>296 050 93</u>	<u>(16 088 44)</u>	-	<u>279 962 49</u>

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all full time employees. The Township contributes an amount of each employee's annual salary to the plan. The net pension expense for the fiscal year ended March 31, 2013, was \$5,827.69.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2013

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 Nottawa does not issue building permits. Building permits are issued by the County of Isabella.

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	65 500 00	65 500 00	66 368 40	868 40
State revenue sharing	166 000 00	166 000 00	171 158 54	5 158 54
Casino revenue sharing	40 793 50	40 793 50	41 435 80	642 30
Charges for services	7 301 50	7 301 50	5 289 50	(2 012 00)
Interest	500 00	500 00	391 49	(108 51)
Miscellaneous	600 00	600 00	4 579 09	3 979 09
Total revenues	280 695 00	280 695 00	289 222 82	8 527 82
Expenditures:				
Legislative:				
Township Board	23 860 00	23 970 00	16 110 89	(7 859 11)
General government:				
Supervisor	10 720 00	10 604 60	10 144 92	(459 68)
Elections	3 400 00	3 400 00	2 858 93	(541 07)
Assessor	23 000 00	23 000 00	19 692 00	(3 308 00)
Clerk	11 020 00	11 135 40	11 121 21	(14 19)
Board of Review	1 600 00	1 600 00	1 184 17	(415 83)
Treasurer	15 575 00	15 575 00	14 840 79	(734 21)
Building and grounds	6 350 00	6 350 00	3 951 00	(2 399 00)
Cemetery	9 750 00	9 750 00	6 895 96	(2 854 04)
Unallocated	15 600 00	15 290 00	13 077 69	(2 212 31)
Public safety:				
Liquor control	760 00	760 00	753 71	(6 29)
Fire protection	64 100 00	64 100 00	48 510 00	(15 590 00)
Public works:				
Highways and streets	62 000 00	62 000 00	44 433 36	(17 566 64)
Street lights	9 000 00	9 000 00	8 117 64	(882 36)
Drains	7 860 00	7 860 00	6 732 74	(1 127 26)
Culture and recreation:				
Parks and recreation	11 100 00	11 300 00	10 762 37	(537 63)
Library	2 500 00	2 500 00	-	(2 500 00)
Capital outlay	2 500 00	2 500 00	2 448 21	(51 79)
Total expenditures	280 695 00	280 695 00	221 635 59	(59 059 41)
Excess (deficiency) of revenues over expenditures	-	-	67 587 23	67 587 23
Fund balance, April 1, 2012	-	-	244 567 71	244 567 71
Fund Balance, March 31, 2013	-	-	312 154 94	312 154 94

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year ended March 31, 2013

Township Board:		
Salaries		5 299 84
Printing and publishing		938 85
Supplies		7 708 92
Dues		1 485 28
Miscellaneous		678 00
		<u>16 110 89</u>
Supervisor:		
Salary		9 999 96
Miscellaneous		144 96
		<u>10 144 92</u>
Elections		<u>2 858 93</u>
Assessor:		
Wages		<u>19 692 00</u>
Clerk:		
Salary		10 749 96
Miscellaneous		371 25
		<u>11 121 21</u>
Board of Review:		
Wages		1 100 00
Miscellaneous		84 17
		<u>1 184 17</u>
Treasurer:		
Salary		14 539 46
Miscellaneous		301 33
		<u>14 840 79</u>
Building and grounds:		
Repairs and maintenance		2 568 64
Utilities		1 382 36
		<u>3 951 00</u>
Cemetery:		
Repairs and maintenance		5 057 58
Wages		1 150 00
Utilities		688 38
		<u>6 895 96</u>
Unallocated:		
Professional services		2 600 00
Insurance		4 650 00
Pension		5 827 69
		<u>13 077 69</u>
Liquor law enforcement:		
Wages		<u>753 71</u>
Fire protection:		
Contracted services		<u>48 510 00</u>

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2013

Highways and streets:	
Repairs and maintenance	<u>44 433 36</u>
Street lighting:	
Utilities	<u>8 117 64</u>
Drains:	
Repairs and maintenance	<u>6 732 74</u>
Parks and recreation:	
Repairs and maintenance	10 178 39
Utilities	<u>583 98</u>
	<u>10 762 37</u>
Capital outlay	<u>2 448 21</u>
Total Expenditures	<u><u>221 635 59</u></u>

TOWNSHIP OF NOTTAWA  
Isabella County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2013

	<u>Balance 4/1/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/13</u>
<u>Assets</u>				
Cash in Bank	<u>1 010 34</u>	<u>2 034 744 85</u>	<u>2 035 586 04</u>	<u>169 15</u>
<u>Liabilities</u>				
Due to other funds	1 010 34	67 475 40	68 316 59	169 15
Due to other units	<u>-</u>	<u>1 967 269 45</u>	<u>1 967 269 45</u>	<u>-</u>
Total Liabilities	<u>1 010 34</u>	<u>2 034 744 85</u>	<u>2 035 586 04</u>	<u>169 15</u>

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA

512 N. LINCOLN AVE. - SUITE 100  
P. O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494  
campbell.co@sbcglobal.net

## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

April 22, 2013

To the Township Board  
Township of Nottawa  
Isabella County, Michigan

We have audited the financial statements of the Township of Nottawa for the year ended March 31, 2013. 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 Nottawa 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 Nottawa  
Isabella 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 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 Fire Association'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 Fire Association 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 Fire Association 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 Nottawa  
Isabella 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 Fire Association's financial statements and this communication of these matters does not affect our report on the Fire Association's financial statements for the year ended March 31, 2013.

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, KUSTERER & CO., P.C.  
Certified Public Accountants