

TOWNSHIP OF WINFIELD
Montcalm County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2014

TOWNSHIP OF WINFIELD
Montcalm County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-5
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Position	6
Government-wide Statement of Activities	7
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	8
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position	9
Statement of Revenues, Expenditures, and Changes in Fund Balances	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Current Tax Collection Fund Statement of Changes in Assets and Liabilities	12
Notes to Financial Statements	13-18
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	19

CAMPBELL AUDITING CPA, PLC

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA

1205 WASHINGTON 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

October 16, 2014

To the Township Board
Township of Winfield
Montcalm County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, of the Township of Winfield, Montcalm County, Michigan, as of and for the year ended June 30, 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, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Winfield, Montcalm County, Michigan, as of June 30, 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 WINFIELD
Montcalm County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended June 30, 2014

This section of the Township of Winfield's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2014. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net position at June 30, 2014, totaled \$280,420.51 for governmental activities. Of this total \$42,290.32 represents capital assets net of depreciation. Overall net position decreased by \$8,964.10 from the prior year.

Overall revenues were \$271,000.86.

We did not incur any new debt during the year.

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 government 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 are 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. These include the General Fund.

TOWNSHIP OF WINFIELD
Montcalm County, Michigan

CONDENSED FINANCIAL INFORMATION
For the year ended June 30, 2014

	Total Governmental Activities 2014
Current Assets	238 130
Capital Assets	42 291
Total Assets	280 421
Current Liabilities	-
Non-current Liabilities	-
Total Liabilities	-
Net Position:	
Invested in Capital Assets	42 291
Unrestricted	238 130
Total Net Position	280 421

	Total Governmental Activities 2014
Program Revenues:	
Fees and Charges for Services	40 737
General Revenues:	
Property Taxes	58 372
State Revenue Sharing	169 499
Interest	569
Miscellaneous	1 824
Total Revenues	271 001
Program Expenses:	
Legislative	10 308
General Government	89 682
Public Safety	33 667
Public Works	138 321
Other	7 987
Total Expenses	279 965
Change in Net Position	(8 964)
Net Position, July 1, 2013	289 385
Net Position, June 30, 2014	280 421

TOWNSHIP OF WINFIELD
Montcalm County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 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 fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. The Township's governmental funds include the General Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Position: The Township's net position decreased \$8,964.10 during the year ended June 30, 2014, totaling \$280,420.51. The change was due in part to increased expenditures for Highways and Streets.

Refer to Page 4 for a summary of the Township's financial activity and change in net position.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund: This fund is used to record all activities of the Township not required to be recorded in a separate fund. This would include parks, zoning, legislative, administrative, elections, Township hall and cemeteries. The major source of revenue for the General Fund is from the Township tax base and the revenue sharing from the State of Michigan.

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 \$16,799.86 over budget due in part to property tax revenue being higher than anticipated. Expenses were \$27,142.09 under budget due in part to expenditures for Fire protection falling short of expectations.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

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

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

The Township does not have any long-term debt at this time.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

There are currently no plans for the future which will affect future operations.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's 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 Supervisor, Clerk or Treasurer.

TOWNSHIP OF WINFIELD
Montcalm County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	<u>238 130 19</u>
Total Current Assets	<u>238 130 19</u>
NON-CURRENT ASSETS:	
Capital Assets	177 405 28
Less: Accumulated Depreciation	<u>(135 114 96)</u>
Total Non-current Assets	<u>42 290 32</u>
TOTAL ASSETS	<u><u>280 420 51</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	42 290 32
Unrestricted	<u>238 130 19</u>
Total Net Position	<u>280 420 51</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>280 420 51</u></u>

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

TOWNSHIP OF WINFIELD
Montcalm County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2014

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	10 308 09	-	(10 308 09)
General government	89 682 07	39 236 85	(50 445 22)
Public safety	33 666 72	-	(33 666 72)
Public works	138 320 64	1 500 00	(136 820 64)
Other	<u>7 987 44</u>	<u>-</u>	<u>(7 987 44)</u>
Total Governmental Activities	<u><u>279 964 96</u></u>	<u><u>40 736 85</u></u>	<u><u>(239 228 11)</u></u>
General Revenues:			
Property taxes			58 371 73
State revenue sharing			169 498 86
Interest			569 41
Miscellaneous			<u>1 824 01</u>
Total General Revenues			<u>230 264 01</u>
Change in net position			(8 964 10)
Net position, beginning of year			<u>289 384 61</u>
Net Position, End of Year			<u><u>280 420 51</u></u>

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

TOWNSHIP OF WINFIELD
Montcalm County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2014

	<u>General</u>
<u>Assets</u>	
Cash in bank	238 106 03
Due from other funds	<u>24 16</u>
Total Assets	<u><u>238 130 19</u></u>
<u>Liabilities and Fund Equity</u>	
Liabilities	-
Total liabilities	<u>-</u>
Fund equity:	
Fund balances:	
Unassigned	<u>238 130 19</u>
Total fund equity	<u><u>238 130 19</u></u>
Total Liabilities and Fund Equity	<u><u>238 130 19</u></u>

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

TOWNSHIP OF WINFIELD
Montcalm County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	238 130 19
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	177 405 28
Accumulated depreciation	<u>(135 114 96)</u>
TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES	<u><u>280 420 51</u></u>

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

TOWNSHIP OF WINFIELD
Montcalm County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended June 30, 2014

	General
Revenues:	
Property taxes	58 371 73
Licenses and permits	8 567 70
State revenue sharing	169 498 86
Charges for services - PTAF	26 732 68
Charges for services – other	5 436 47
Interest	569 41
Miscellaneous	1 824 01
Total revenues	271 000 86
Expenditures:	
Legislative:	
Township Board	10 308 09
General government:	
Supervisor	7 314 13
Elections	839 83
Assessor	26 451 52
Clerk	15 324 07
Treasurer	18 891 30
Board of Review	900 00
Building and grounds	5 783 86
Cemetery	14 177 36
Public safety:	
Fire protection	20 882 98
Planning and zoning	7 991 69
Public works:	
Highways and streets	128 429 19
Street lighting	2 290 74
Drains at large	2 055 75
Sanitation	5 544 96
Other:	
Insurance	3 909 00
Payroll taxes	4 078 44
Total expenditures	275 172 91
Excess (deficiency) of revenues over expenditures	(4 172 05)
Fund balance, July 1, 2013	242 302 24
Fund Balance, June 30, 2014	238 130 19

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

TOWNSHIP OF WINFIELD
Montcalm County, Michigan

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

Year ended June 30, 2014

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (4 172 05)

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	(4 792 05)
Capital Outlay	<u>-</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (8 964 10)

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

TOWNSHIP OF WINFIELD
Montcalm County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended June 30, 2014

	<u>Balance 7/1/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/14</u>
<u>Assets</u>				
Cash in Bank	<u>25 93</u>	<u>2 134 981 46</u>	<u>2 134 983 23</u>	<u>24 16</u>
<u>Liabilities</u>				
Due to other funds	25 93	79 628 57	79 630 34	24 16
Due to others	<u>-</u>	<u>2 055 352 89</u>	<u>2 055 352 89</u>	<u>-</u>
Total Liabilities	<u>25 93</u>	<u>2 134 981 46</u>	<u>2 134 983 23</u>	<u>24 16</u>

TOWNSHIP OF WINFIELD
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Winfield, Montcalm 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 Winfield. 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 WINFIELD
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 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.

Agency 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 Township 2013 tax roll millage rate was 0.7935 mills, and the taxable value was \$73,871,714.00.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 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:

Land improvements	30 years
Buildings and improvements	30-60 years
Equipment and vehicles	3-10 years

TOWNSHIP OF WINFIELD
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

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.

Encumbrances

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

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 WINFIELD
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 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 bank 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>238 130 19</u>

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

	<u>Bank Balances</u>
Insured (FDIC)	242 132 48
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>242 132 48</u>

The Township of Winfield did not have any investments as of June 30, 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 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 WINFIELD
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 3 – Deposits and Investments (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 activities for the current year was as follows:

	Balance 7/1/13	Additions	Deletions	Balance 6/30/14
Governmental Activities:				
Capital assets not being depreciated:				
Land	31 340 00	-	-	31 340 00
Subtotal	<u>31 340 00</u>	<u>-</u>	<u>-</u>	<u>31 340 00</u>
Capital assets being depreciated:				
Buildings	50 495 00	-	-	50 495 00
Equipment	95 570 28	-	-	95 570 28
Subtotal	<u>146 065 28</u>	<u>-</u>	<u>-</u>	<u>146 065 28</u>
Total	<u>177 405 28</u>	<u>-</u>	<u>-</u>	<u>177 405 28</u>
Accumulated Depreciation:				
Buildings	(50 495 00)	-	-	(50 495 00)
Equipment	(79 827 91)	(4 792 05)	-	(84 619 96)
Total	<u>(130 322 91)</u>	<u>(4 792 05)</u>	<u>-</u>	<u>(135 114 96)</u>
Net Capital Assets	<u>47 082 37</u>	<u>(4 792 05)</u>	<u>-</u>	<u>42 290 32</u>

Depreciation expense was charged to the following activities:

Public Safety	<u>4 792 05</u>
---------------	-----------------

Note 5 – Pension Plan

The Township does not have a pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

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.

TOWNSHIP OF WINFIELD
Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 8 – Interfund Receivables and Payables

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>24 16</u>	Current Tax Collection	<u>24 16</u>

The above amounts reflect property taxes that were collected but not paid to the General Fund during the year.

Note 9 – Building Permits

The Township of Winfield does not issue building permits. Building permits are issued by the County of Montcalm.

Note 10 - Budget Variance

For the year ended June 30, 2014, the Township exceeded the amounts budgeted in the following activity:

<u>Fund/Activity</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Budget Variance</u>
General Fund:			
Cemetery	10 101 00	14 177 36	4 076 36
Street lighting	501 00	2 290 74	1 789 74
Sanitation	5 500 00	5 544 96	44 96

TOWNSHIP OF WINFIELD
Montcalm County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	54 000 00	54 000 00	58 371 73	4 371 73
Licenses and permits	6 350 00	6 350 00	8 567 70	2 217 70
State revenue sharing	167 445 00	167 445 00	169 498 86	2 053 86
Charges for services - PTAF	25 000 00	25 000 00	26 732 68	1 732 68
Charges for services – other	202 00	202 00	5 436 47	5 234 47
Interest	650 00	650 00	569 41	(80 59)
Miscellaneous	554 00	554 00	1 824 01	1 270 01
Total revenues	254 201 00	254 201 00	271 000 86	16 799 86
Expenditures:				
Legislative:				
Township Board	13 901 00	12 401 00	10 308 09	(2 092 91)
General government:				
Supervisor	7 720 00	7 720 00	7 314 13	(405 87)
Elections	6 850 00	5 150 00	839 83	(4 310 17)
Assessor	27 826 00	27 826 00	26 451 52	(1 374 48)
Clerk	16 220 00	16 220 00	15 324 07	(895 93)
Treasurer	19 905 00	19 905 00	18 891 30	(1 013 70)
Board of Review	900 00	900 00	900 00	-
Building and grounds	7 900 00	7 900 00	5 783 86	(2 116 14)
Cemetery	6 101 00	10 101 00	14 177 36	4 076 36
Public safety:				
Fire protection	32 875 00	32 875 00	20 882 98	(11 992 02)
Planning and zoning	11 366 00	11 366 00	7 991 69	(3 374 31)
Public works:				
Highways and streets	131 400 00	131 400 00	128 429 19	(2 970 81)
Street lighting	501 00	501 00	2 290 74	1 789 74
Drains at large	500 00	2 100 00	2 055 75	(44 25)
Sanitation	4 000 00	5 500 00	5 544 96	44 96
Other:				
Insurance	4 500 00	4 500 00	3 909 00	(591 00)
Payroll taxes	5 950 00	5 950 00	4 078 44	(1 871 56)
Total expenditures	298 415 00	302 315 00	275 172 91	(27 142 09)
Excess (deficiency) of revenues over expenditures	(44 214 00)	(48 114 00)	(4 172 05)	43 941 95
Fund balance, July 1, 2013	44 214 00	48 114 00	242 302 24	194 188 24
Fund Balance, June 30, 2014	-	-	238 130 19	238 130 19

CAMPBELL AUDITING CPA, PLC

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA

1205 WASHINGTON 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

October 16, 2014

To the Township Board
Township of Winfield
Montcalm County, Michigan

We have audited the financial statements of the Township of Winfield for the year ended June 30, 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 Winfield 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 Winfield
Montcalm 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 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 Winfield
Montcalm 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.

BUDGET VARIANCES

For the year ended June 30, 2014, the Township exceeded the amounts budgeted for a several activities. We recommend that the Township amend the budget as necessary to comply with state law.

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 June 30, 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