

**NEWKIRK TOWNSHIP, LAKE COUNTY**

**LUTHER, MICHIGAN**

**MARCH 31, 2013**



**Baird, Cotter & Bishop, P.C.**  
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NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

MARCH 31, 2013

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July 3, 2013

INDEPENDENT AUDITOR'S REPORT

To the Township Board  
Newkirk Township  
Lake County  
Luther, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Newkirk, Lake County, Luther, Michigan, as of and for the year ended March 31, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. According, we express no such opinion. An audit also includes evaluating the appropriateness of

accounting principles used and the reasonable of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Newkirk Township, Lake County, Luther, Michigan as of March 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii through ix and budgetary comparison information on pages 22-23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Newkirk Township's basic financial statements. The discretely presented component unit and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

NEWKIRK TOWNSHIP, LAKE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2013

As management of Newkirk Township (“the Township”), we offer readers of the Township’s financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2013. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

**Financial Highlights**

- ❖ The assets of Newkirk Township exceeded its liabilities at the close of the most recent fiscal year by \$381,214 (*net position*). Of this amount, \$205,008 represents unrestricted net position, which may be used to meet the Township’s ongoing obligations to citizens and creditors.
- ❖ At the close of the current fiscal year, the Township’s governmental funds reported combined fund balances of \$308,816, a decrease of \$283,139 in comparison with the prior year. \$126,800 is available for spending at the Township’s discretion (*unassigned fund balance*).
- ❖ At the end of the current fiscal year, unrestricted fund balance (the total of *committed, assigned, and unassigned* components of fund balance) for the general fund was \$172,221.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township’s basic financial statements. The Township’s basic financial statements consist of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional details to support the basic financial statements themselves.

**Government-Wide Financial Statements** The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the Township’s finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents financial information on all of the Township’s assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, community and economic development, recreation and culture, and other functions.

NEWKIRK TOWNSHIP, LAKE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2013

The government-wide financial statements can be found on pages 1-2 of this report.

**Fund Financial Statements** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Newkirk Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund, Fire Truck Fund, Fire Hall Construction Fund and Fire Hall Debt Service Fund, which are considered to be major funds.

The Township adopts an annual budget for all required funds. A budgetary comparison has been provided for all required funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3-6 of this report.

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The Township maintains one type of fiduciary fund. The Agency Fund reports resources held by the Township in a custodial capacity for other governments.

The fiduciary fund financial statement can be found on page 7 of this report.

**Notes to the Financial Statements** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the governmental-wide and fund financial statements. The notes can be found on pages 10-21 of this report.

NEWKIRK TOWNSHIP, LAKE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2013

**Other Information** In addition to the basic financial statements and accompanying notes, this report also presents *Required Supplementary Information* (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Overall Financial Analysis**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of Newkirk Township, assets exceeded liabilities by \$381,214, at the close of the most recent fiscal year.

**Newkirk Township**  
**Net Position as of March 31, 2013**

	<b>Governmental Activities</b>
<b>Assets</b>	
Current Assets	\$ 346,489
Non Current Assts	
Capital Assets	380,225
Less: Accumulated Depreciation	(19,402)
Total Non Current Assets	360,823
<b>Total Assets</b>	<b>707,312</b>
<b>Liabilities</b>	
Current Liabilities	63,098
Non Current Liabilities	263,000
<b>Total Liabilities</b>	<b>326,098</b>
<b>Net Position</b>	
Net Investment in Capital Assets	50,036
Restricted for Specific Purposes	126,170
Unrestricted	205,008
<b>Total Net Position</b>	<b>\$ 381,214</b>

A portion of the Township's net position reflects its net investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related outstanding debt that was used to acquire those assets. The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Township's net investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

NEWKIRK TOWNSHIP, LAKE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2013

An additional portion of the Township's net position (35%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$205,008 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

Newkirk Township's overall net position increased by \$38,491 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for the governmental activities.

**Newkirk Township**  
**Change in Net Position**  
**for the Fiscal Year Ended March 31, 2013**

	<b>Governmental Activities</b>
<b>Revenues</b>	
Program Revenues	
Charges for Services	\$ 7,480
Operating Grants and Contributions	2,452
General Revenues	
Taxes	142,355
State Grants	31,507
Interest Earnings	537
Other	1,346
	185,677
<b>Expenses</b>	
General Government	84,369
Public Safety	29,065
Public Works	9,272
Community and Economic Development	975
Recreation and Culture	4,596
Other Functions	8,484
Interest on Long Term Debt	10,425
	147,186
Changes in Net Position	38,491
<u>NET POSITION</u> - Beginning of Year	342,723
<u>NET POSITION</u> - End of Year	\$ 381,214

NEWKIRK TOWNSHIP, LAKE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2013

**Governmental Activities**

The most significant part of the revenue for all governmental activities of Newkirk Township comes from taxes. The Township levied millages for fire protection, fire trucks, and fire debt, in addition to the operating millage, this fiscal year. The Township levied 0.7983 mills for operating purposes, 2.005 mills for fire protection, 1.0 mill for fire truck, and 0.63 mills for fire debt. State-shared revenues are also a significant portion of the revenues for Newkirk Township. State-shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax.

The Township's governmental activities expenses are dominated by capital outlay expenses that total \$316,552 related to the construction of a new fire hall building. General government expenses represented the next largest expense at \$82,047.

**Financial Analysis of the Governmental Funds**

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** The focus of Newkirk Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Township itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Township Board.

At March 31, 2013, Newkirk Township's governmental funds reported combined fund balances of \$308,816, a decrease of \$283,139 in comparison with the prior year. \$126,800 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is 1) not in spendable form, 2) legally required to be maintained intact, 3) restricted for particular purposes (\$136,595), 4) committed for particular purposes (\$7,071), or 5) assigned for particular purposes (\$38,350).

**General Fund** – The General Fund decreased its fund balance by \$35,204 which brings the fund balance to \$167,462.

**Fire Fund** – the Fire Fund increased its fund balance by \$18,413 which brings the fund balance to \$62,858. The fund balances is restricted for fire protection.

The Township levied a millage for fire protection on the 2012 tax roll which resulted in \$47,442 of tax related revenues.

NEWKIRK TOWNSHIP, LAKE COUNTY  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2013

**Fire Truck Fund** – The Fire Truck Fund increased its fund balance by \$23,650 which brings the fund balance to \$59,435. The fund balance is restricted for fire truck purchases.

The Township levied a millage for fire truck purchases on the 2012 tax roll which resulted in \$23,611 of tax related revenues.

**Fire Hall Construction Fund** – The Fire Construction Fund decreased its fund balance by \$287,076 which brings the fund balance to \$7,071. The fund balance is committed for the construction of the Fire Hall.

**Fire Hall Debt Service Fund** – The Fire Debt Service Fund decreased its fund balance by \$2,922 which brings the fund balance to \$11,990. The fund balance is restricted for Debt Service.

*Proprietary Fund* The Township does not maintain any proprietary funds.

**General Fund Budgetary Highlights**

During the year, the amendments in appropriations between the original budget and final amended budget did not affect the total expenditures.

The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Total Revenues	\$ 79,825	\$ 79,825	\$ 99,455
Total Expenditures	\$ 150,220	\$ 150,220	\$ 104,659

The reason for the variance between the final budget and the actual budget is that the Township budgets very conservatively.

**Capital Assets**

**Capital Assets** The Township’s investment in capital assets for its governmental activities as of March 31, 2013, amounts to \$360,823 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure.

NEWKIRK TOWNSHIP, LAKE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2013

**Newkirk Township**  
**Capital Assets as of March 31, 2013**

	<b>Governmental Activities</b>
Land	\$ 19,445
Construction in Progress	334,735
Buildings	3,521
Equipment	22,524
	380,225
Less Accumulated Depreciation	(19,402)
 <b>Net Capital Assets</b>	 <b>\$ 360,823</b>

Major capital asset events during fiscal year 2013 included the following:

- Construction in progress of 316,552 related to the construction of a new Fire Hall.

**Long-Term Debt** As of March 31, 2013, the Township had total debt outstanding of \$278,000. More information on the Township's long-term debt is available in the Notes to Financial Statements section of this document.

**Economic Condition and Outlook**

It appears that state-shared revenues have stabilized. The Township continues to look for ways to improve the services it provides to its residents in a manner that is financially responsible.

This factor was considered in preparing the Township's budgets for the 2013-14 fiscal year.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Newkirk Township at 301 State Street, Luther, MI 49656.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

STATEMENT OF NET POSITION  
MARCH 31, 2013

	PRIMARY GOVERNMENT	COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	LUTHER NEWKIRK MUNICIPAL HALL
<u>ASSETS</u>		
Cash	\$ 323,750	\$ 3,535
Receivables		
Taxes	14,125	0
Accounts	1,195	0
External Party (Fiduciary Fund)	41	0
Due from Other Governments	7,378	0
Total Current Assets	346,489	3,535
<u>CAPITAL ASSETS</u>		
Land	19,445	2,103
Construction in Progress	334,735	0
Buildings	3,521	49,740
Equipment	22,524	7,904
	380,225	59,747
Less Accumulated Depreciation	(19,402)	(34,739)
Net Capital Assets	360,823	25,008
Total Assets	707,312	28,543
<u>LIABILITIES</u>		
Current Liabilities		
Accounts Payable	35,367	0
Payroll Deductions Payable	2,306	0
Accrued Interest	10,425	0
Current Portion of Long Term Debt	15,000	0
Total Current Liabilities	63,098	0
Long Term Liabilities		
Installment Purchase Agreement - Net of Current Portion	263,000	0
Total Liabilities	326,098	0
<u>NET POSITION</u>		
Net Investment in Capital Assets	50,036	25,008
Restricted for:		
Fire Protection	62,858	0
Fire Truck Purchases	59,435	0
Telecommunications Right of Way Maintenance	2,312	0
Debt Service	1,565	0
Unrestricted	205,008	3,535
TOTAL NET POSITION	\$ 381,214	\$ 28,543

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

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2013

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY	COMPONENT
					GOVERNMENT	UNIT
					TOTAL	
					GOVERNMENTAL ACTIVITIES	LUTHER NEWKIRK MUNICIPAL HALL
<u>PRIMARY GOVERNMENT</u>						
<u>GOVERNMENTAL ACTIVITIES</u>						
General Government	\$ 84,369	\$ 7,480	\$ 0	\$ 0	\$ (76,889)	\$ 0
Public Safety	29,065	0	0	0	(29,065)	0
Public Works	9,272	0	2,452	0	(6,820)	0
Community and Economic Development	975	0	0	0	(975)	0
Recreation and Culture	4,596	0	0	0	(4,596)	0
Other Functions	8,484	0	0	0	(8,484)	0
Interest on Long Term Debt	10,425	0	0	0	(10,425)	0
Total Primary Government	\$ 147,186	\$ 7,480	\$ 2,452	\$ 0	(137,254)	0
<u>COMPONENT UNIT</u>						
Luther Newkirk Municipal Hall	\$ 8,972	\$ 0	\$ 7,489	\$ 0	0	(1,483)
<u>GENERAL REVENUES</u>						
Taxes					142,355	0
State Grants					31,507	0
Interest Earnings					537	4
Other					1,346	0
Total General Revenues					175,745	4
Change in Net Position					38,491	(1,479)
<u>NET POSITION</u> - Beginning of Year					342,723	30,022
<u>NET POSITION</u> - End of Year					\$ 381,214	\$ 28,543

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

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET  
MARCH 31, 2013

	<u>Special Revenue</u>		<u>Capital Projects</u>		<u>Debt Service</u>	<u>TOTALS</u>
	<u>GENERAL</u>	<u>FIRE</u>	<u>FIRE</u>	<u>FIRE HALL</u>	<u>DEBT</u>	
	<u>FUND</u>	<u>FUND</u>	<u>TRUCK</u>	<u>CONSTRUCTION</u>	<u>SERVICE</u>	
	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	<u>FUND</u>	
<u>ASSETS</u>						
Cash	\$ 151,191	\$ 56,469	\$ 56,249	\$ 49,858	\$ 9,983	\$ 323,750
Taxes Receivable	2,543	6,389	3,186	0	2,007	14,125
Accounts Receivable	1,195	0	0	0	0	1,195
Due from Other Governments	7,378	0	0	0	0	7,378
Due from Other Funds	10,041	0	0	0	0	10,041
<b>TOTAL ASSETS</b>	<b>\$ 172,348</b>	<b>\$ 62,858</b>	<b>\$ 59,435</b>	<b>\$ 49,858</b>	<b>\$ 11,990</b>	<b>\$ 356,489</b>
<u>LIABILITIES AND FUND BALANCE</u>						
<u>LIABILITIES</u>						
Accounts Payable	\$ 2,580	\$ 0	\$ 0	\$ 32,787	\$ 0	\$ 35,367
Due To Other Funds	0	0	0	10,000	0	10,000
Payroll Deductions Payable	2,306	0	0	0	0	2,306
<b>Total Liabilities</b>	<b>4,886</b>	<b>0</b>	<b>0</b>	<b>42,787</b>	<b>0</b>	<b>47,673</b>
<u>FUND BALANCE</u>						
Restricted for:						
Fire Protection	0	62,858	0	0	0	62,858
Fire Truck Purchases	0	0	59,435	0	0	59,435
Telecommunications						
Right of Way Maintenance	2,312	0	0	0	0	2,312
Debt Service	0	0	0	0	11,990	11,990
Committed for:						
Fire Hall Construction	0	0	0	7,071	0	7,071
Assigned for:						
Subsequent Year Budget Short Fall	38,350	0	0	0	0	38,350
Unassigned	126,800	0	0	0	0	126,800
<b>Total Fund Balance</b>	<b>167,462</b>	<b>62,858</b>	<b>59,435</b>	<b>7,071</b>	<b>11,990</b>	<b>308,816</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 172,348</b>	<b>\$ 62,858</b>	<b>\$ 59,435</b>	<b>\$ 49,858</b>	<b>\$ 11,990</b>	<b>\$ 356,489</b>
<b>AND FUND BALANCE</b>						

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

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
MARCH 31, 2013

Total Fund Balance for Governmental Funds	\$	308,816
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Land	\$	19,445
Construction in Progress		334,735
Buildings		3,521
Equipment		22,524
Accumulated Depreciation		<u>(19,402)</u>
		360,823
Accrued interest is not included as a liability in governmental funds. It is recorded when paid.		(10,425)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Installment Purchase Agreement		<u>(278,000)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>381,214</u></u>

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

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
YEAR ENDED MARCH 31, 2013

	<u>GENERAL</u> FUND	<u>Special Revenue</u> FIRE FUND	<u>FIRE</u> TRUCK FUND	<u>Capital Projects</u> FIRE HALL CONSTRUCTION FUND	<u>Debt Service</u> FIRE HALL DEBT SERVICE FUND	TOTALS
<u>REVENUES</u>						
Taxes	\$ 56,399	\$ 47,442	\$ 23,611	\$ 0	\$ 14,903	\$ 142,355
State Grants	33,959	0	0	0	0	33,959
Charges for Services	7,480	0	0	0	0	7,480
Interest and Rents	321	36	39	141	0	537
Other Revenues	1,296	0	0	50	0	1,346
Total Revenues	99,455	47,478	23,650	191	14,903	185,677
<u>EXPENDITURES</u>						
General Government	82,047	0	0	0	0	82,047
Public Safety	0	29,065	0	0	0	29,065
Public Works	9,272	0	0	0	0	9,272
Community and Economic Development	975	0	0	0	0	975
Recreation and Culture	4,596	0	0	0	0	4,596
Other Functions	7,769	0	0	715	0	8,484
Capital Outlay	0	0	0	316,552	0	316,552
Debt Service	0	0	0	0	17,825	17,825
Total Expenditures	104,659	29,065	0	317,267	17,825	468,816
Excess (Deficiency) of Revenues Over Expenditures	(5,204)	18,413	23,650	(317,076)	(2,922)	(283,139)
<u>OTHER FINANCING SOURCES (USES)</u>						
Transfers In	0	0	0	30,000	0	30,000
Transfers Out	(30,000)	0	0	0	0	(30,000)
Total Other Financing Sources (Uses)	(30,000)	0	0	30,000	0	0
Net Change in Fund Balance	(35,204)	18,413	23,650	(287,076)	(2,922)	(283,139)
<u>FUND BALANCE</u> - Beginning of Year	202,666	44,445	35,785	294,147	14,912	591,955
<u>FUND BALANCE</u> - End of Year	\$ 167,462	\$ 62,858	\$ 59,435	\$ 7,071	\$ 11,990	\$ 308,816

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

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2013

Net Change in Fund Balance - Total Governmental Funds \$ (283,139)

Amounts reported for governmental 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	(2,322)
Capital Outlay	316,552

Accrued and accreted interest on debt is recorded in the Statement of Activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued Interest Payable - Beginning of Year	3,216
Accrued Interest Payable - End of Year	(10,425)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).	<u>14,609</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 38,491</u></u>
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The accompanying notes are an integral part of the financial statements.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

FIDUCIARY FUND

STATEMENT OF FIDUCIARY NET POSITION  
MARCH 31, 2013

	<u>AGENCY FUND</u>
<u>ASSETS</u>	
Cash	\$           41
<u>LIABILITIES</u>	
Due to Other Funds	<u>                  41</u>
<u>NET POSITION</u>	<u><u>\$            0</u></u>

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

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

COMPONENT UNIT

STATEMENT OF NET POSITION  
MARCH 31, 2013

	<u>LUTHER NEWKIRK MUNICIPAL HALL</u>
<u>ASSETS</u>	
Cash	\$ 3,535
Capital Assets	59,747
Less Accumulated Depreciation	(34,739)
Total Capital Assets	<u>25,008</u>
Total Assets	<u>28,543</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	<u>0</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	25,008
Unrestricted	<u>3,535</u>
TOTAL NET POSITION	<u>\$ 28,543</u>

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

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

COMPONENT UNIT

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2013

<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>LUTHER NEWKIRK MUNICIPAL HALL</u>
Luther Newkirk Municipal Hall	\$ 8,972	\$ 0	\$ 7,489	\$ (1,483)
<u>GENERAL REVENUES</u>				
Interest Earnings				4
Change in Net Position				(1,479)
<u>NET POSITION</u> - Beginning of Year				30,022
<u>NET POSITION</u> - End of Year				\$ 28,543

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

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2013

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report the information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary governmental is financially accountable.

**B. Reporting Entity**

Newkirk Township is a general law township located in Lake County which operates under the direction of an elected township board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the governmental-wide financial statements to emphasize that it is legally separate from the government.

*DISCRETELY PRESENTED COMPONENT UNIT*

**Luther Newkirk Municipal Hall** – The members of the governing board of the Luther Newkirk Municipal Hall are appointed by the Township Board and the Luther Village Council. The Municipal Hall’s operational and capital budgets and bonded debt must be approved by the Township board and the Luther Village Council.

Financial statements of the individual component unit are included as supplemental information in the annual financial report of Newkirk Township. The component unit does not issue a separate financial report.

**C. Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the government has a discretely presented component unit. The Luther Newkirk Municipal Hall is shown in separate columns in the governmental-wide financial statements.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2013

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the government's funds, including its fiduciary funds and discretely presented component unit. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Newkirk Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

The *Fire Truck Fund* accounts for revenue sources that are legally restricted to expenditures for the purchase of fire trucks.

The *Fire Hall Construction Fund* accounts for the revenue and expenditures related to the construction of a Fire Hall.

The *Fire Hall Debt Service Fund* accounts for revenue sources from the voter approved tax levy for payments of interest and principal on voter approved long-term debt.

Additionally Newkirk Township reports the following fund types:

*Fiduciary funds* are accounted for using the accrual method of accounting. Fiduciary funds account for assets held by the Township in a trustee capacity or as an agent on behalf of others. This fund is custodial in nature and does not involve measurement of results of operations. Accordingly, it presents only a statement of fiduciary net position and does not present a statement of changes in fiduciary net position. Fiduciary funds are not included in the government-wide statements.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2013

government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

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

**F. Budgetary Information**

**1. Budgetary Basis of Accounting**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted March 26, 2012, or as amended by the Township Board from time to time throughout the year.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2013

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

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

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

***1. Cash and Cash Equivalents***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

- (1) The Investment Policy adopted by the Township states that the Township is limited to investments authorized by PA 20 of 1943, as amended, and may invest in the following:
  - (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
  - (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution. Authorized depositories shall be designated by the Newkirk Township Board at the Board's organizational meeting after each regular election of board members.
  - (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not more than 270 days after the date of purchase.
  - (d) Repurchase agreements consisting of instruments listed in subdivision (a).
  - (e) Bankers' acceptances of United States banks.
  - (f) Investment pools through an Interlocal Agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
  - (g) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.

***2. Inventories and Prepaid Items***

Inventories are not significant and are expensed as acquired.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2013

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. There are no prepaid items this year.

**3. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for land and buildings and \$2,500 for equipment (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

	<u>ASSETS</u>	<u>YEARS</u>
Buildings		50
Equipment		10

**4. *Long-Term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**5. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township does not have any deferred outflows of resources.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2013

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township does not have any deferred inflows of resources.

**6. *Net Position Flow Assumption***

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**7. *Fund Balance Flow Assumption***

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**8. *Fund Balance Policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution or motion remains in place until a similar action is taken (the adoption of another resolution or motion) to remove or revise the limitation.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2013

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an addition action is essential to either remove or revise a commitment.

**9. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**H. Revenues and Expenditures/Expenses**

**1. *Program Revenues***

Amounts reported as program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. *Property Taxes***

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

The 2012 taxable valuation of the Newkirk Township totaled \$23,483,693, on which ad valorem taxes levied consisted of 0.7983 mills for the Newkirk Township operating purposes, 1.0000 mill for Newkirk Township fire trucks, 2.0050 mills for Newkirk Township fire protection, and 0.6300 mills for Newkirk Township fire hall construction debt retirement. These levies raised approximately \$18,878 for operating purposes, \$23,611 for fire trucks, \$47,442 for fire protection, and \$14,903 for fire hall construction debt retirement. These amounts are recognized in the respective fund financial statements as tax revenue.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2013

**II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Cash Deposits with Financial Institutions**

The Township's deposits are on deposit with Lake Osceola State Bank.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2013, none of the Township's bank balance of \$360,685 was exposed to custodial credit risk. As of March 31, 2013, none of the component unit's bank balance of \$3,579 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the Township's investment policy does not directly address custodial credit risk, it typically limits its exposure by controlling who holds the Township's deposits.

*Foreign currency risk.* The Township is not authorized to invest in investments which have this type of risk; therefore, it is not addressed in the investment policy.

**B. Receivables**

Receivables as of year end for the government's individual major funds are as follows:

	General Fund	Fire Fund	Fire Hall Debt Service Fund	Fire Truck Fund	Total
Receivables					
Accounts Receivable	\$ 1,195	\$ 0	\$ 0	\$ 0	\$ 1,195
External Party (Fiduciary Fund)	41	0	0	0	41
Taxes	2,543	6,389	2,007	3,186	14,125
Due from Other Governments	7,378	0	0	0	7,378
	<u>\$ 11,157</u>	<u>\$ 6,389</u>	<u>\$ 2,007</u>	<u>\$ 3,186</u>	<u>\$ 22,739</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2013

**C. Capital Assets**

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Primary Government</u>				
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 19,445	\$ 0	\$ 0	\$ 19,445
Construction in Progress	18,183	316,552	0	334,735
Total capital assets, not being depreciation	37,628	316,552	0	354,180
Capital assets, being depreciated				
Buildings	3,521	0	0	3,521
Equipment	22,524	0	0	22,524
Total capital assets, being depreciated	26,045	0	0	26,045
Less accumulated depreciation for:				
Buildings	2,382	70	0	2,452
Equipment	14,698	2,252	0	16,950
Total accumulated depreciation	17,080	2,322	0	19,402
Total capital assets, being depreciated, net	8,965	(2,322)	0	6,643
Governmental activities capital assets, net	\$ 46,593	\$ 314,230	\$ 0	\$ 360,823
<u>Component Unit</u>				
Capital assets, not being depreciated				
Land	\$ 2,103	\$ 0	\$ 0	\$ 2,103
Capital assets, being depreciated				
Buildings	49,740	0	0	49,740
Equipment	7,904	0	0	7,904
Total capital assets, being depreciated	57,644	0	0	57,644
Less accumulated depreciation for:				
Buildings	29,845	995	0	30,840
Equipment	3,326	573	0	3,899
Total accumulated depreciation	33,171	1,568	0	34,739
Total capital assets, being depreciated, net	24,473	(1,568)	0	22,905
Component unit capital assets, net	\$ 26,576	\$ (1,568)	\$ 0	\$ 25,008

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2013

	<u>Primary</u>	<u>Component</u>
Governmental activities:	<u>Government</u>	<u>Unit</u>
General Government	<u>\$ 2,322</u>	<u>\$ 1,568</u>

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at March 31, 2013, were:

<u>Fund</u>	<u>INTERFUND RECEIVABLES DUE FROM'S</u>	<u>INTERFUND PAYABLES DUE TO'S</u>
General Fund	\$ 10,041	\$ 0
Fire Hall Construction Fund	0	10,000
Current Tax Fund	0	41
Total	<u>\$ 10,041</u>	<u>\$ 10,041</u>

Interfund receivables and payables result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers during the fiscal year March 31, 2013 were:

	<u>TRANSFERS</u>	
<u>Fund</u>	<u>IN</u>	<u>OUT</u>
General Fund	\$ 0	\$ 30,000
Fire Hall Construction Fund	30,000	0
Total	<u>\$ 30,000</u>	<u>\$ 30,000</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2013

**E. Long-Term Debt**

**1. Primary Government**

The following is a summary of debt transactions of Newkirk Township for the year ended March 31, 2013:

	Installment Purchase Agreement
Debt Payable at April 1, 2012	\$ 292,609
New Debt Incurred	0
Debt Retired	(14,609)
Debt Payable at March 31, 2013	\$ 278,000

\$269,609 Installment Purchase Agreement for the construction of a new Fire Hall. Due in annual installments of \$25,425 to \$26,350 through April 1, 2026; including interest at 3.7500% due on April 1 of each year.	\$ 278,000
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The annual requirements to amortize the debt outstanding as of March 31, 2013, are as follows:

Year Ending March 31,	Principal	Interest	Total
2014	\$ 15,000	\$ 10,425	\$ 25,425
2015	16,000	9,863	25,863
2016	17,000	9,262	26,262
2017	17,000	8,625	25,625
2018	18,000	7,988	25,988
2019-2023	101,000	29,287	130,287
2024-2027	94,000	9,000	103,000
	\$ 278,000	\$ 84,450	\$ 362,450

**2. Component Units**

There are no long-term debts outstanding at March 31, 2013 in Newkirk Township's discretely presented component unit.

**F. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2013

liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**G. Retirement Plan**

The Township adopted a defined contribution pension plan effective July 1, 1991 and amended July 1, 2006. The plan is administered by the Manufacturer's Life Insurance Company. The plan covers all Township Board members. There are no age or service requirements for plan eligibility. All benefits attributable to employer contributions are 100% vested immediately. Normal retirement age under the plan is age 65 or, if later, completion of 10 years of participation in the plan. Early retirement is permitted at any time after attainment of age 55.

Employer contributions for each participant are calculated based on 10% of compensation. In addition, participants may make after-tax voluntary contributions in amounts ranging from 1% to 10% of compensation. For purposes of the determination of contributions, compensation means cash compensation actually paid throughout the plan year, however, overtime pay and bonuses are not included. For the fiscal year ended March 31, 2013, the Township contributed \$3,015 into the pension plan.

**III. OTHER INFORMATION**

**A. New GASB Standards**

Effective April 1, 2012, the Township adopted GASB Statement 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement 65, "Items Previously Recognized as Assets and Liabilities". These statements establish and clarify new components of the statement of position, "Deferred Inflows of Resources" and "Deferred Outflows of Resources". At March 31, 2013, the Township did not have items that fit the criteria for a deferred outflow of resources or a deferred inflow of resources. GASB 63 also changes the term "net assets", which was previously made up of assets less liabilities, to "net position", which is now made up of assets, deferred outflows of resources, liabilities and deferred inflows of resources. Accordingly any reference to "net assets" has been changed to "net position".

**B. Joint Fire District**

The Township is a member of the Luther Fire District Number One. The Fire District is a joint venture of Ellsworth and Newkirk Townships created to provide fire protection for the member townships. Newkirk Township levied 2.0050 mills to support the Fire District. Audited financial statements for the Fire District can be obtained by contacting the Fire District.

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED MARCH 31, 2013

	GENERAL FUND			FIRE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<b><u>REVENUES</u></b>						
Taxes	\$ 40,000	\$ 40,000	\$ 56,399	\$ 40,000	\$ 40,000	\$ 47,442
State Grants	30,000	30,000	33,959	0	0	0
Charges for Services	4,400	4,400	7,480	0	0	0
Interest and Rents	425	425	321	20	20	36
Other Revenues	5,000	5,000	1,296	0	0	0
Total Revenues	79,825	79,825	99,455	40,020	40,020	47,478
<b><u>EXPENDITURES</u></b>						
General Government						
Township Board	6,500	7,195	7,154	0	0	0
Supervisor	10,700	10,700	8,797	0	0	0
Elections	4,350	4,655	4,653	0	0	0
Assessor	23,200	23,200	18,244	0	0	0
Clerk	12,500	12,500	11,696	0	0	0
Board of Review	1,300	1,300	345	0	0	0
Treasurer	16,500	16,500	15,399	0	0	0
Building and Grounds	5,000	5,000	3,744	0	0	0
Professional and Legal Services	10,000	10,000	4,225	0	0	0
Cemetery	14,650	14,650	7,790	0	0	0
Public Safety						
Ordinance Enforcement	4,000	3,000	0	0	0	0
Fire Protection	5,000	5,000	0	40,000	40,000	29,065
Public Works						
Sanitation	5,000	5,000	2,587	0	0	0
Highways, Streets and Bridges	9,620	9,620	6,685	0	0	0
Community and Economic Development						
Planning and Zoning	3,000	3,000	975	0	0	0
Library	6,600	6,600	4,596	0	0	0
Other Functions						
Insurance	3,500	3,500	2,470	0	0	0
Employee Benefits	7,800	7,800	5,299	0	0	0
Disaster Relief	1,000	1,000	0	0	0	0
Total Expenditures	150,220	150,220	104,659	40,000	40,000	29,065
Excess (Deficiency) of Revenues Over Expenditures	(70,395)	(70,395)	(5,204)	20	20	18,413
<b><u>OTHER FINANCING SOURCES (USES)</u></b>						
Transfer In	0	0	0	0	0	0
Transfer Out	0	(30,000)	(30,000)	0	0	0
Total Other Financing Sources (Uses)	0	(30,000)	(30,000)	0	0	0
Net Change in Fund Balance	(70,395)	(100,395)	(35,204)	20	20	18,413
<b><u>FUND BALANCE</u></b> - Beginning of Year	195,797	195,797	202,666	10,762	10,762	44,445
<b><u>FUND BALANCE</u></b> - End of Year	\$ 125,402	\$ 95,402	\$ 167,462	\$ 10,782	\$ 10,782	\$ 62,858

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED MARCH 31, 2013

	FIRE TRUCK FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Taxes	\$ 16,500	\$ 16,500	\$ 23,611
Interest and Rents	25	25	39
Total Revenues	16,525	16,525	23,650
<u>EXPENDITURES</u>			
Public Safety			
Fire Protection			
Capital Outlay	0	0	0
Net Change in Fund Balance	16,525	16,525	23,650
<u>FUND BALANCE</u> - Beginning of Year	24,708	24,708	35,785
<u>FUND BALANCE</u> - End of Year	\$ 41,233	\$ 41,233	\$ 59,435

NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

LUTHER NEWKIRK MUNICIPAL HALL  
A COMPONENT UNIT OF NEWKIRK TOWNSHIP

BALANCE SHEET  
MARCH 31, 2013

ASSETS

Cash	\$ 3,535
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LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	<u>\$ 0</u>
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FUND BALANCE

Assigned for Subsequent year budget shortfall	3,194
Unassigned	341
Total Fund Balance	<u>3,535</u>

TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,535</u>
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NEWKIRK TOWNSHIP, LAKE COUNTY  
LUTHER, MICHIGAN

LUTHER NEWKIRK MUNICIPAL HALL  
A COMPONENT UNIT OF NEWKIRK TOWNSHIP

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 2013

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>			
Contributions from Local Units	\$ 9,652	\$ 9,652	\$ 7,489
Interest and Rent	7	7	4
Total Revenues	9,659	9,659	7,493
<u>EXPENDITURES</u>			
General Government			
Building and Grounds	10,925	11,175	7,404
Net Change in Fund Balance	(1,266)	(1,516)	89
<u>FUND BALANCE</u> - Beginning of Year	1,266	3,198	3,446
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 1,682	\$ 3,535



# Baird, Cotter & Bishop, P.C.

SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749

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July 3, 2013

## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT THE CONCLUSION OF THE AUDIT

To the Township Board  
Newkirk Township  
Lake County  
Luther, Michigan

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Newkirk Township for the year ended March 31, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 30, 2013. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Newkirk Township are described in Note I to the financial statements. Starting in 2012-2013, the Township has implemented GASB 63 and GASB 65, new standards that rename, redefine, and clarify components of net position. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Township's financial statements was:

Management's estimates of the useful lives of capital assets which is based on previous history. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 3, 2013.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about audit and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

During the course of our audit of the basic financial statements of Newkirk Township for the year ended March 31, 2013, we noted the following item which we feel deserves comment:

#### Township Pension Plan

We recommend the Township contact its pension plan administrator and determine the proper payment and recordkeeping updates needed to account for the turnover in positions covered by the pension plan document.

We would like to thank the accounting personnel for their efforts in accumulating the information needed for our audit. We encourage you to review your internal and accounting controls on an annual basis to ensure they are adequate and operating as intended.

This communication is intended solely for the information and use of the Township Board and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*



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July 3, 2013

## COMMUNICATION OF MATERIAL WEAKNESSES

To the Township Board  
Newkirk Township  
Lake County  
Luther, Michigan

In planning and performing our audit of the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Newkirk Township as of and for the year ended March 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Newkirk Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Newkirk Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Newkirk Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in Newkirk Township's internal control to be material weaknesses:

1) *Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements*

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government's internal controls over the preparation of financial statements in accordance with GAAP are incomplete. Instead, the government relies, in part, on its external auditors for assistance with this task.

Recommendation: Due to the size and minimal activity, we recommend that the government continue to outsource financial statement preparation.

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

## 2) *Segregation of Incompatible Duties and Documented Independent Review*

Criteria: Management is responsible for establishing and maintaining internal controls in order to safeguard the assets of the government. A key element of internal control is the segregation of incompatible duties.

Condition: The government has several accounting functions that are performed by the same individual and are not subject to a documented independent review and approval.

Cause: This condition is primarily the result of staffing constraints typical of smaller governmental units. Some of the control activities may be occurring on a routine basis, but are not being documented.

Effect: As a result of this condition, the government is exposed to an increased risk that misstatements (whether caused by error or fraud) may occur and not be prevented or detected by management on a timely basis.

Recommendation: There are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties. Recognizing this fact, we encourage the government to mitigate this risk by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

View of Responsible Officials: Management recognizes that this limitation is a natural outgrowth of the small number of staff, and applies its judgment in determining how best to allocate the government's resources to provide an appropriate balance between sound internal controls and fiscal prudence.

Newkirk Township's responses to the material weaknesses identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Township Board and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*