Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type	Local Unit Name	County
☐County ☐City ☒Twp ☐Village ☐Other	Township of Norvell	Jackson

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
June 30, 2004	April 2, 2008	April 7, 2008

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

	YES	NO	**Check each applicable box below.** (See instructions for further detail.)
1.	☒	☐	All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.	☒	☐	There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.	☒	☐	The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.	☒	☐	The local unit has adopted a budget for all required funds.
5.	☒	☐	A public hearing on the budget was held in accordance with State statute.
6.	☒	☐	The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.	☒	☐	The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.	☒	☐	The local unit only holds deposits/investments that comply with statutory requirements.
9.	☒	☐	The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan,* as revised (see Appendix H of Bulletin).
10.	☒	☐	There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.	☒	☐	The local unit is free of repeated comments from previous years.
12.	☐	☒	The audit opinion is UNQUALIFIED.
13.	☒	☐	The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.	☒	☐	The board or council approves all invoices prior to payment as required by charter or statute.
15.	☒	☐	To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	☒	
The letter of Comments and Recommendations	☐	Not considered necessary
Other (Describe)	☒	SAS 112 communication

Certified Public Accountant (Firm Name)	Telephone Number
Siegfried Crandall P.C.	(269) 381-4970

Street Address	City	State	Zip
246 E Kilgore	Kalamazoo	MI	49002

Authorizing CPA Signature	Printed Name	License Number
	Daniel L. Veldhuizen	1101020724

Township of Norvell
Jackson County, Michigan

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Year ended June 30, 2004

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Norvell, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Norvell, Michigan, as of June 30, 2004, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Norvell, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not included the Wamplers Lake Sewer Debt Service Fund, the Vineyard Lake Sewer Debt Service Fund, and the Tax Collection Fund in the Township's financial statements. Accounting principles generally accepted in the United States of America require the Wamplers Lake Sewer Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund to be presented as major governmental funds and financial information about the Wamplers Lake Sewer Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund to be part of the governmental activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net assets. The amounts by which this departure would affect the assets, fund balances, liabilities, net assets, revenues, and expenses of the governmental activities and the omitted major funds are not reasonably determinable. Accounting principles generally accepted in the United States of America require the Tax Collection Fund, an agency fund, to be presented as a fiduciary fund, thus increasing assets and liabilities of the fiduciary funds. The amount by which this departure would affect the assets and liabilities of the fiduciary funds is not reasonably determinable.

In our opinion, because of the omission of the Wamplers Lake Sewer Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Wamplers Lake Sewer Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund of the Township of Norvell, Michigan, as of June 30, 2004, or the related changes in financial position for the year then ended.

50th ANNIVERSARY
1958-2008

In addition, in our opinion, except for the effects of not including financial information for the Wamplers Lake Sewer Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund as part of the governmental activities, as described above, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Township of Norvell, Michigan, as of June 30, 2004, and the change in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Further, in our opinion, because of the omission of the Tax Collection Fund as described above, the financial statements referred to above do not present fairly, in all material respects, the respective financial position of the aggregate remaining fund information of the of the Township of Norvell, Michigan, as of June 30, 2004, in conformity with accounting principles generally accepted in the United States of America.
Finally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund and the Fire Fund of the Township of Norvell, Michigan, as of June 30, 2004, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 11, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2003.

The budgetary comparison information, as listed in the contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Norvell, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandell P.C.

April 2, 2008

BASIC FINANCIAL STATEMENTS

Township of Norvell
STATEMENT OF NET ASSETS
June 30, 2004

	Governmental activities
ASSETS	
Current assets:	
Cash	$ 164,187
Receivables	74,254
Total current assets	238,441
Noncurrent assets:	
Capital assets, not being depreciated - land	4,000
Capital assets, net of accumulated depreciation	101,597
Total noncurrent assets	105,597
Total assets	344,038
LIABILITIES	
Current liabilities:	
Payables	18,680
Due to other funds	15,625
Escrow deposits	18,376
Notes payable	5,431
Total current liabilities	58,112
Noncurrent liabilities - notes payable	5,939
Total liabilities	64,051
NET ASSETS	
Invested in capital assets, net of related debt	94,227
Restricted for public safety	83,052
Unrestricted	102,708
Total net assets	$ 279,987

See notes to financial statements

Township of Norvell
STATEMENT OF ACTIVITIES
Year ended June 30, 2004

		Program revenues			Net (expenses)
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	revenues and changes in net assets
Functions/Programs					
Governmental activities:					
Legislative	$ 5,715	$ -	$ -	$ -	$ (5,715)
General government	199,880	45,172	-	-	(154,708)
Public safety	207,491	9,440	5,070	-	(192,981)
Public works	29,871	23,708	-	-	(6,163)
Community and economic development	11,637	6,425	-	-	(5,212)
Recreation and cultural	555	-	-	-	(555)
Interest on long-term debt	949	-	-	-	(949)
Total governmental activities	$ 456,098	$ 84,745	$ 5,070	$ -	(366,283)

General revenues:	
Property taxes	183,150
State shared revenue	198,199
Franchise fees	2,054
Interest income	679
Other	9,509
Total general revenues	393,591
Change in net assets	27,308
Net assets - beginning	252,679
Net assets - ending	$ 279,987

See notes to financial statements

Township of Norvell
BALANCE SHEET - *governmental funds*
June 30, 2004

	Major funds		Total governmental
	General	Fire	funds
ASSETS			
Cash	$ 78,915	$ 83,052	$ 161,967
Receivables	74,254	-	74,254
Total assets	153,169	83,052	236,221
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	16,460	-	16,460
Due to other funds	15,625	-	15,625
Escrows payable	18,376	-	18,376
Total liabilities	50,461	-	50,461
Fund balances - unreserved	102,708	83,052	185,760
Total liabilities and fund balances	$ 153,169	$ 83,052	$ 236,221

Amounts reported for governmental activities in the statement of net assets (page 5) are different because:

Total fund balances - governmental funds	$ 185,760
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	105,597
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(11,370)
Net assets of the Building Inspections Fund that have been combined with those of governmental activities.	-
Net assets of governmental activities	$ 279,987

See notes to financial statements

Township of Norvell

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - *governmental funds*

Year ended June 30, 2004

	Major funds		*Total governmental funds*
	General	*Fire*	
REVENUES			
Property taxes	$ 113,885	$ 105,760	$ 219,645
Licenses and permits	2,054	-	2,054
State grants	198,199	-	198,199
Charges for services	30,473	-	30,473
Fines and forfeitures	8,418	-	8,418
Interest and rentals	679	-	679
Other	23,938	-	23,938
Total revenues	377,646	105,760	483,406
EXPENDITURES			
Legislative	5,715	-	5,715
General government	192,544	-	192,544
Public safety	107,837	81,579	189,416
Public works	26,116	-	26,116
Community and economic development	11,637	-	11,637
Recreation and cultural	555	-	555
Capital outlay	3,755	-	3,755
Debt service:			
Principal	8,862	-	8,862
Interest	949	-	949
Total expenditures	357,970	81,579	439,549
EXCESS OF REVENUES OVER EXPENDITURES	19,676	24,181	43,857
OTHER FINANCING USES			
Transfer out	(383)	-	(383)
NET CHANGES IN FUND BALANCES	19,293	24,181	43,474
FUND BALANCES - BEGINNING	83,415	58,871	142,286
FUND BALANCES - ENDING	$ 102,708	$ 83,052	$ 185,760

See notes to financial statements

Township of Norvell
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - *governmental funds* (Continued)
Year ended June 30, 2004

	Total governmental funds
Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities:	
Net change in fund balances - total governmental funds (page 8)	$ 43,474
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their their estimated useful lives as depreciation expense.	
Add: Capital asset acquisitions	
Deduct: Provision for depreciation	(25,028)
Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	8,862
Net expenses of the Building Inspections Fund	-
Change in net assets of governmental activities	$ 27,308

See notes to financial statements

Township of Norvell
STATEMENT OF NET ASSETS - *proprietary fund*
June 30, 2004

	Building Inspections
ASSETS	
Cash	$ 2,220
LIABILITIES	
Payables	2,220
NET ASSETS	$ -
Amounts reported for business-type activities in the government-wide statement of net assets (page 5) are different because:	
Assets and liabilities of the Building Inspections Fund have been combined with those of governmental activities.	-
Net assets of business-type activities	$ -

See notes to financial statements

Township of Norvell

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - *proprietary fund*

Year ended June 30, 2004

	Building Inspections
OPERATING REVENUES	
Charges for services - licenses and permits	$ 41,504
OPERATING EXPENSES	
Salaries and fringe benefits	8,108
Contracted services	33,036
Miscellaneous	743
Total operating expenses	41,887
OPERATING LOSS BEFORE TRANSFER IN	(383)
TRANSFER IN - General Fund	383
CHANGE IN NET ASSETS	-
NET ASSETS - BEGINNING	-
NET ASSETS - ENDING	$ -
CHANGE IN NET ASSETS	$ -
Amounts reported for business-type activities in the government-wide statement of activities (page 6) are different because:	
Revenues and expenses of the Building Inspections Fund have been combined with those of the governmental activities.	-
Change in net assets of business-type activities	$ -

See notes to financial statements

Township of Norvell

STATEMENT OF CASH FLOWS - *proprietary fund*

Year ended June 30, 2004

		Building Inspections
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$	41,504
Payments for salaries and fringe benefits		(8,108)
Payments for contracted services		(33,361)
Net cash provided by operating activities		35
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Transfer in - General Fund		383
NET INCREASE IN CASH		418
CASH - BEGINNING		1,802
CASH - ENDING	$	2,220
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$	(383)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Increase in accounts payable		418
Net cash provided by operating activities	$	35

See notes to financial statements

Township of Norvell

STATEMENT OF FIDUCIARY NET ASSETS - *agency funds*

June 30, 2004

ASSETS	
Cash	$ 19,278
LIABILITIES	
Due to others	$ 19,278

See notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Except as follows the accounting policies of the Township of Norvell, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The accompanying financial statements do not include the Wamplers Lake Sewer Debt Service Fund, the Vineyard Lake Sewer Debt Service Fund, and the Tax Collection Fund in the Township's financial statements. Accounting principles generally accepted in the United States of America require the Wamplers Lake Sewer Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund to be presented as major governmental funds and financial information about the Wamplers Lake Sewer Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund to be part of the governmental activities, thus increasing that activity's assets, liabilities, revenues, and expenses, and changing its net assets. The amount by which this departure would affect the assets, liabilities, fund balances, net assets, revenues, and expenses of the governmental activities and the omitted major funds is not reasonably determinable. Accounting principles generally accepted in the United States of America require the Tax Collection Fund, an agency fund, to be presented as a fiduciary fund, thus increasing assets and liabilities of the fiduciary funds. The amount by which this departure would affect the assets and liabilities of the fiduciary funds is not reasonably determinable.
The following is a summary of the more significant policies.

a) *Reporting entity*:
The accompanying financial statements present activities of the Township. There are no component units, legally separate entities for which the Township is considered to be financially accountable.

b) *Government-wide and fund financial statements*:
The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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 and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) *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, as are the proprietary and fiduciary fund financial statements. Revenues are 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 revenues in

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Measurement focus, basis of accounting, and financial statement presentation* (continued):
the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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 if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, 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. All other revenue items are considered to be measurable only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for the financial resources used for the operational costs of the Township's fire protection function. Revenues are primarily derived from property taxes.

The Township reports a single proprietary fund, the Building Inspections Fund, which accounts for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Township reports two fiduciary funds, the Trust and Agency Fund and the Payroll Withholding Fund, which account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Measurement focus, basis of accounting, and financial statement presentation* (continued):
do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for services. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d) *Assets, liabilities, and net assets or equity*:

i) *Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Capital assets* - Capital assets, which include property, equipment, and infrastructure assets (e.g., shared road costs and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of two years. 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 the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning July 1, 2003.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	40 years
Equipment	3 - 10 years
Vehicles	5 years
Shared road costs	20 years

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity*:
v) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on February 14 (with the final collection date of February 28), at which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Township had no significant budget variances.

NOTE 3 - CASH:

The Township's deposits were reported in the basic financial statements as follows:

	Governmental activities	*Fiduciary*	*Total*
Cash	$ 164,187	$ 19,278	$ 183,465

Deposits:
Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance. As of June 30, 2004, $79,546 of the Township's bank balances of $202,552 was exposed to custodial credit risk because it was uninsured. The Township believes that it is impractical to insure all bank deposits. The Township evaluates each financial institution with which it deposits funds and assesses the risk level of each financial institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's funds are as follows (all are due within one year):

Fund	*Accounts*	*Inter-governmental*	*Total*
General	$ 7,708	$ 66,546	$ 74,254

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2004, was as follows:

	Beginning balance	*Increases*	*Decreases*	*Ending balance*
Governmental activities:				
Capital assets not being depreciated - land	$ 4,000	$ -	$ -	$ 4,000
Capital assets being depreciated:				
Buildings	101,080	-	-	101,080
Equipment	83,272	-	-	83,272
Subtotal	184,352	-	-	184,352
Less accumulated depreciation for:				
Buildings	(27,817)	(1,901)	-	(29,718)
Equipment	(29,910)	(23,127)	-	(53,037)
Subtotal	(57,727)	(25,028)	-	(82,755)
Total capital assets being depreciated, net	126,625	(25,028)	-	101,597
Governmental activities capital assets, net	$ 130,625	$ (25,028)	$ -	$ 105,597

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	$ 7,336
Public safety	17,692
Total governmental activities	$ 25,028

NOTE 6 - PAYABLES:

Payables as of year end of the Township's funds, are as follows:

Fund:	*Accounts*	*Payroll*	*Total*
Governmental: General	$ 15,705	$ 755	$ 16,460
Proprietary: Building Inspections	$ -	$ 2,220	$ 2,220

NOTE 7 - LONG-TERM LIABILITIES:

At June 30, 2004, long-term liabilities are comprised of the following individual issues:

Governmental activities:

Long-term debt at June 30, 2004, is comprised of the following individual issues:

$5,000 installment loan, Kansas State Bank of Manhattan - payable monthly in installments of $104, including interest at 5.15%; final payment due June 2006.	$ 2,460
$20,618 installment loan, Onsted State Bank - payable in monthly installments of $399, including interest at 6.27%; final payment due June 2006.	8,910
Total governmental activities long-term liabilities	$11,370

Long-term liability activity for the year ended June 30, 2004 was as follows:

	Beginning balance	*Additions*	*Reductions*	*Ending balance*	*Amounts due within one year*
Governmental activities:					
Kansas State Bank installment loan	$ 3,551	$ -	$ (1,091)	$ 2,460	$ 1,072
Onstead Bank installment loan	13,005	-	(4,095)	8,910	4,359
Onstead Bank installment loan	3,676	-	(3,676)	-	-
Total	$ 20,232	$ -	$ (8,862)	$ 11,370	$ 5,431

At June 30, 2004, debt service requirements were as follows:

Year ended June 30:	*Governmental activities*	
	Principal	*Interest*
2005	$ 5,431	$ 611
2006	5,939	224
Totals	$ 11,370	$ 835

All debt is secured by the full faith and credit of the Township.

NOTE 8 - INTERFUND BALANCES AND TRANSFERS:

At June 30, 2004, the General Fund held special assessment collections on behalf of the Vineyard Lake Sewer District Debt Service Fund. As the Vineyard Lake Sewer District Debt Service Fund has been excluded from these financial statements, the statement of net assets continues to report this liability.

The General Fund transferred $383 to the Building Inspections Fund to cover the operating loss of the current year.

NOTE 9 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. The plan covers all full-time employees (over 20 hours per week) and Township trustees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 12% of each qualified employee's base salary to the plan. The Township's contributions are fully vested immediately. The Township made the required contributions of $15,705 for the year ended June 30, 2004.

The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLES:

Effective July 1, 2003, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change:

Net assets as previously reported	
General and special revenue funds - fund balance	$ 142,286
Capital assets used in governmental activities are not financial resources and, therefore, were not reported in the funds.	130,625
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, were not reported in the funds.	(20,232)
Net assets, as restated	$ 252,679

REQUIRED SUPPLEMENTARY INFORMATION

Township of Norvell
BUDGETARY COMPARISON SCHEDULE - *General Fund*
Year ended June 30, 2004

	Original budget	*Amended budget*	*Actual*	*Variance favorable (unfavorable)*
REVENUES				
Property taxes	$ 107,050	$ 107,050	$ 113,885	$ 6,835
Licenses and permits	6,000	6,000	2,054	(3,946)
State grants	213,418	213,418	198,199	(15,219)
Charges for services	39,060	39,060	30,473	(8,587)
Fines and forfeitures	7,000	7,000	8,418	1,418
Interest and rentals	1,100	1,100	679	(421)
Other	16,500	16,500	23,938	7,438
Total revenues	390,128	390,128	377,646	(12,482)
EXPENDITURES				
Legislative	5,750	5,750	5,715	35
General government:				
Supervisor	19,682	19,682	19,406	276
Election	6,020	3,345	3,338	7
Assessor	28,385	28,385	30,408	(2,023)
Clerk	20,881	20,881	19,743	1,138
Board of review	2,950	2,450	2,081	369
Treasurer	24,009	24,009	24,538	(529)
Hall and grounds	21,050	16,950	16,072	878
Cemetery	15,404	15,404	15,763	(359)
General administration	66,694	64,254	61,195	3,059
Total general government	205,075	195,360	192,544	2,816
Public safety - Police Department	116,528	116,803	107,837	8,966
Public works:				
Road maintenance	12,000	12,000	11,512	488
Street lights	8,000	9,500	9,447	53
Waste disposal	1,250	3,250	5,157	(1,907)
Sewer districts	7,747	7,747	-	7,747
Total public works	28,997	32,497	26,116	6,381

Township of Norvell
BUDGETARY COMPARISON SCHEDULE - *General Fund* (Continued)
Year ended June 30, 2004

	Original budget	*Amended budget*	*Actual*	*Variance favorable (unfavorable)*
EXPENDITURES (Continued)				
Community and economic development - planning and zoning	$ 8,905	$ 12,945	$ 11,637	$ 1,308
Recreation and cultural - parks and recreation	5,250	5,250	555	4,695
Capital outlay	7,125	5,645	3,755	1,890
Debt service - principal	10,312	10,312	8,862	1,450
Debt service - interest	-	-	949	(949)
Total expenditures	387,942	384,562	357,970	26,592
EXCESS OF REVENUES OVER EXPENDITURES	2,186	5,566	19,676	14,110
OTHER FINANCING USES				
Transfer out - Building Inspections Fund	-	-	(383)	(383)
NET CHANGES IN FUND BALANCES	2,186	5,566	19,293	13,727
FUND BALANCES - BEGINNING	83,415	83,415	83,415	-
FUND BALANCES - ENDING	$ 85,601	$ 88,981	$ 102,708	$ 13,727

Township of Norvell

BUDGETARY COMPARISON SCHEDULE - *Fire Fund*

Year ended June 30, 2004

	Original budget	*Amended budget*	*Actual*	*Variance favorable (unfavorable)*
REVENUES				
Property taxes	$ 85,000	$ 85,000	$ 105,760	$ 20,760
EXPENDITURES				
Public safety - fire protection	84,510	84,510	81,579	2,931
EXCESS OF REVENUES OVER EXPENDITURES	490	490	24,181	23,691
FUND BALANCES - BEGINNING	58,871	58,871	58,871	-
FUND BALANCES - ENDING	$ 59,361	$ 59,361	$ 83,052	$ 23,691

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To the Board of Trustees
Township of Norvell, Michigan

In planning and performing our audits of the financial statements of the Township of Norvell as of and for the years ended June 30, 2006, 2005, and 2004, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Norvell'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 the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following control deficiencies constitute material weaknesses.

- Supporting documentation for special assessment collections related to the Wamplers Lake Sewer Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund was not retained by the Township Treasurer.
- Special assessment receivable balances, by parcel, of the Wamplers Lake Sewer Debt Service Fund and the Vineyard Lake Sewer Debt Service Fund were not reconciled to their respective control totals by the Township Treasurer.
- The Township Treasurer did not maintain general ledgers for the Wamplers Lake Sewer Debt Service Fund, the Vineyard Lake Sewer Debt Service Fund, or the Tax Collection Fund, so as to account for the assets, liabilities, and, where applicable, related revenues and expenditures, of such funds.
- The Township Treasurer has not made timely transfers of property taxes and special assessments collected by the Tax Collection Fund to other funds of the Township.

50th ANNIVERSARY
1958-2008

- Monitoring procedures over control activities of the Treasurer's office have not been implemented.
- The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording revenue and expense accruals, the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of management, the Board of Trustees, and the Department of Treasury of the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandell P.C.

April 2, 2008