

# 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 <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Norman Township	County Manistee
Fiscal Year End June 30, 2007	Opinion Date November 19, 2007	Date Audit Report Submitted to State November 25, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

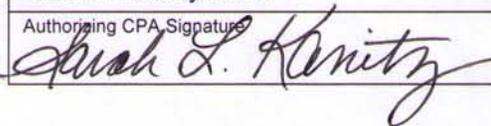
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**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	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	None issued	
Other (Describe)	<input type="checkbox"/>	Not applicable	
Certified Public Accountant (Firm Name) Lake Michigan CPA Services, PLC		Telephone Number 231-690-5217	
Street Address 239 N. Jebavy Drive		City Ludington	State MI
Authorizing CPA Signature 		Printed Name Sarah L. Kanitz	Zip 49431
		License Number 1101027051	

Norman Township  
**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)  
Year ended June 30, 2007

# Norman Township

## List of Elected and Appointed Officials

Supervisor: .....	Brook Shafer
Clerk: .....	Mary Soule
Treasurer: .....	Mary Kay St. John
Trustee: .....	Rita Crow
Trustee: .....	Dan Gosack

# Norman Township

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# Lake Michigan CPA Services, PLC

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## INDEPENDENT AUDITOR'S REPORT

November 19, 2007

Township Board  
Norman Township  
Wellston, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Norman Township, as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Norman Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Norman Township, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 28 through 32, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I 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, I did not audit the information and express no opinion on it.

*Lake Michigan CPA Services, PLLC*  
Ludington, Michigan

## **Management's Discussion and Analysis**

### **Using this Annual Report**

As management of Norman Township, we offer readers of Norman Township's financial statements, this narrative overview and analysis of financial activities for the year ended June 30, 2007. The Township is presenting this analysis along with the financial statements in a format prescribed by the provisions of the Governmental Accounting Standards Board Statement 34 (GASB 34). The annual report consists of a series of financial statements, including the Statement of Net Assets and the Statement of Activities, which provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements are also included, which tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

### **Financial Highlights**

The Township's governmental activities showed an improvement over the prior year, as the Township's revenues exceeded expenses by \$91,040 in the government-wide financial statements. This was an improvement over the 2006 fiscal year, which reflected an increase in net assets of \$45,530.

Within the fund financial statements, the Township's General Fund, Fire Fund, Ambulance Fund, and debt service fund revenues exceeded expenditures.

### **Overview of the Financial Statements**

The Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

#### *Government-Wide Financial Statements*

The government-wide financial statements are designed to give a view of the entity as a whole. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities and charges.

## **Management's Discussion and Analysis**

The Statement of Net Assets is the Township-wide statement of financial position presenting information that includes all of the Township's assets and liabilities, with the difference reported as net assets. Over time, changes in net assets may serve as a useful indicator of the financial health of the Township and whether the financial condition is improving or deteriorating.

The Statement of Activities reports how the Township's net assets changed during the current fiscal year. All current year revenues and expenses are included when the event giving rise to the change occurs, regardless of the timing of when cash is received or paid. The Statement of Activities is designed to help show the financial reliance of the Township's distinct activities or functions on revenues provided by the Township's taxpayers and intergovernmental revenues.

### *Fund Financial Statements.*

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with related laws and regulations. Within the basic financial statements, the fund financial statements focus on the Township's most significant funds, rather than the Township as whole. Major funds are separately reported while all others are combined into an aggregated presentation. Norman Township has several governmental funds, but has no business-type funds. The Township's major funds are the General Fund, the Fire Fund, the Ambulance Fund, the Rubbish Collection Fund and the Norman Township Community Center Debt Service Fund.

The Township has two types of funds as noted below:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Township's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the fiscal year. Governmental funds are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

The government-wide financial statements focus on the long-term view, while the fund statements focus on a shorter view. Therefore, comparisons of the two may

## **Management's Discussion and Analysis**

provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances include a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison for the General Fund and each major fund is found at the end of this report. These schedules demonstrate compliance with the Township's adopted and final revised budgets.

*Fiduciary funds* are reported in the fiduciary fund financial statements, but are excluded from the government-wide financial reporting, as they are used to account for resources held for the benefit of parties other than the Township. Fiduciary fund financial statements report resources that are not available to fund Township programs. Fiduciary fund financial statements report similarly to proprietary funds.

*Notes to the Financial Statements.*

The accompanying notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes begin immediately following the basic financial statements.

### **Government-wide Financial Analysis**

Net assets of the Township may be used as an indicator of a government's overall financial position. As of June 30, 2007, the Township's net assets from governmental activities totaled \$1,044,358, which was an increase over the net assets of \$953,318 at June 30, 2006.

Net assets of the Township include net assets which are invested in capital assets (i.e., buildings, land, equipment, etc.). These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Net assets invested in capital assets, net of related debt totaled \$457,506 at June 30, 2007 and \$482,243 at June 30, 2006. Capital assets were \$597,506 at the end of the 2007 fiscal year, compared to capital assets of \$637,243 at June 30, 2006. These capital assets were offset by the Township's debt, which was \$140,000 at June 30, 2007 and \$155,000 at June 30, 2006. The debt consisted of bonds issued to help finance the cost of the community center.

## Management's Discussion and Analysis

The unrestricted net assets for governmental-type activities at June 30, 2007 and 2006 depicted fund balances of \$484,923 and \$392,944, respectively. The unrestricted fund balance represents the amount of discretionary resources that can be used for general governmental operations.

Restricted net assets at June 30, 2007 consisted of net assets restricted for debt service of \$101,929. At June 30, 2006, this balance was \$78,081.

The following table presents a summary of the government-wide statement of net assets:

NORMAN TOWNSHIP  
Summary of Net Assets  
June 30, 2007 and 2006

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Increase/ (Decrease)</u>
Current assets	\$ 595,738	\$ 478,901	\$ 116,837
Noncurrent assets	<u>597,506</u>	<u>637,243</u>	<u>(39,737)</u>
Total Assets	<u><u>1,193,244</u></u>	<u><u>1,116,144</u></u>	<u><u>77,100</u></u>
Current liabilities	23,886	22,826	1,060
Noncurrent liabilities	<u>125,000</u>	<u>140,000</u>	<u>(15,000)</u>
	148,886	162,826	(13,940)
Net Assets			
Invested in Capital Assets, Net of Related Debt	457,406	482,243	(24,837)
Restricted for debt service	101,929	78,081	23,848
Unrestricted	<u>485,023</u>	<u>392,994</u>	<u>92,029</u>
Total Net Assets	<u><u>\$ 1,044,358</u></u>	<u><u>\$ 953,318</u></u>	<u><u>\$ 91,040</u></u>

The change in governmental activities' net assets showed an increase of \$91,040 during the fiscal year. Operating revenues of \$68,813 and general revenues of \$437,139 combined exceeded expenses of \$414,912.

## Management's Discussion and Analysis

The following table summarizes the governmental statement of activities for the years ended June 30, 2007 and 2006:

### Summary of the Statement of Activities For the Year Ended June 30, 2007

<b>Revenues</b>	<u>06/30/07</u>	<u>06/30/06</u>	<u>Increase/ (Decrease)</u>
Program Revenues			
Charges for Services	\$ 68,813	\$ 70,371	\$ (1,558)
General Revenues			
Property Taxes	89,000	82,472	6,528
Specific Property Taxes	186,377	155,534	30,843
Other Taxes	6,289	6,876	(587)
Grants and Contributions not restricted	124,244	132,925	(8,681)
Unrestricted Investment Earnings	22,820	15,262	7,558
Miscellaneous	8,409	9,852	(1,443)
Total Revenue	<u>505,952</u>	<u>473,292</u>	<u>32,660</u>
<b>Expenses</b>			
General Government	217,324	215,218	2,106
Public Safety	72,377	79,206	(6,829)
Public Works	55,188	52,677	2,511
Health and Public Welfare	29,919	25,106	4,813
Community and economic development	15,975	30,092	(14,117)
Culture and Recreation	16,973	16,630	343
Interest	7,156	7,832	(676)
Total Expenses	<u>414,912</u>	<u>426,761</u>	<u>(11,849)</u>
Increase in Net Assets	91,040	46,531	\$ <u>44,509</u>
Net Assets, July 1, 2006	<u>953,318</u>	<u>906,787</u>	
Net Assets, June 30, 2007	<u>\$ 1,044,358</u>	<u>\$ 953,318</u>	

## Management's Discussion and Analysis

### Fund Financial Analysis

As noted above, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming requirements. Norman Township has several governmental funds, all of which are considered to be major funds for the year ended June 30, 2007.

The General Fund reported an ending fund balance of \$173,912, all of which is unreserved and unrestricted for continuing Township service requirements. The fund balance of the General Fund rose \$16,633 over the prior year. This was due to an increase in revenue and a decline in spending.

In the Fire Fund, the total fund balance of \$166,684 is reserved for continuing fire department operations. During fiscal year 2007, this fund balance increased \$41,501. This was the due to a decline in capital outlays in the fire department.

The Ambulance Fund experienced a fund balance incline of \$38,491 during the fiscal year, bringing the ending fund balance to \$128,050. The entire fund balance is reserved for Ambulance department operations.

The Rubbish Collection Fund fell \$4,697 during 2007. All of the fund balance totaling \$16,277 is reserved for operations at the Township transfer station.

The fund balance of the debt service fund is reserved for the payment of principal and interest on the Norman Township Community Center bonds payable. The June 30, 2007 fund balance was \$101,929.

## **Management's Discussion and Analysis**

### **Budgetary Highlights**

The originally adopted General Fund budget for the June 30, 2007 fiscal year showed planned revenue of \$230,121 and expenditures of \$277,438. The excess of expenditures over revenues was to be covered by the Township's fund balance. During the 2007 fiscal year, the revenue budget was amended up to \$251,290. The most significant change was in local source revenues, which were increased from \$94,271 to \$113,165. Total expenditures were amended down to \$273,499. The largest decrease was in the zoning department, which was amended from \$24,265 to \$16,941.

The planned budget for the fire fund reflected \$99,260 in revenue and \$208,061 in expenditures. The revenue budget changed slightly and was increased to \$101,010. Expenditures were amended down to \$162,226, due mainly to a reduction of \$50,000 in planned capital outlays.

The originally adopted Ambulance Fund budget reflected \$55,119 in revenues and spending of \$70,200. This budget was amended slightly during the fiscal year. Revenues were changed to \$54,425 and expenditures decreased to \$67,952.

The 2007 revenue budget of the Rubbish Collection Fund was originally set at \$51,334 and changed to \$49,694 as of June 30, 2007. Expenditures were initially budgeted to be \$50,405 and were amended during 2007 to \$52,897.

The revenue budget for the Norman Township Community Center debt service fund was originally planned to be \$45,185. The revenues were amended to \$45,120 as of June 30, 2007. Expenditures were initially planned to be \$25,896 and were changed to \$22,167 as of June 30, 2007.

## Management's Discussion and Analysis

### Capital Assets

The Township's total investment in capital assets as of June 30, 2007 was \$597,506. The investment in capital assets includes land and improvements, buildings and improvements, vehicles, equipment, and furniture and fixtures. Current year capital asset additions included the purchase of new a lawnmower for \$4,950 and the installation of a three phase electrical connection for a new dry well for fire protection, costing \$7,995.

The following table depicts the composition of capital assets of the Township as of June 30, 2007 and 2006:

Capital Assets  
June 30, 2007 and 2006

	06/30/07	06/30/06
Nondepreciable		
Land	\$ 31,363	\$ 31,363
Depreciable		
Land improvements	17,762	9,767
Buildings and improvements	455,201	455,201
Equipment and furniture	71,633	71,633
Vehicles	483,540	478,590
Total depreciable assets	1,028,136	1,015,191
Total capital assets	1,059,499	1,046,554
Less: Accumulated Depreciation	(461,993)	(409,311)
Capital assets, net of accumulated depreciation	\$ 597,506	\$ 637,243

### Long-term debt

The Township's long term debt at June 30, 2007 consisted of revenue bonds issued in June of 1998 for the purpose of building a community center. The bonds payable balance was \$140,000 at June 30, 2007 and \$155,000 at June 30, 2006.

## **Management's Discussion and Analysis**

### **General Economic Overview**

Norman Township plans to maintain its financial stability over the course of the next fiscal year. The two main sources of revenue for the Township are property taxes and state shared revenue, both of which are expected to remain at about the same level or slightly below what was experienced in the current fiscal year. Expenditures are planned to remain consistent with the 2007 fiscal year.

### **Requests for Information**

This financial report is designed to provide a general overview of the Norman Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Norman Township, 1273 S. Seaman Rd, Wellston, MI 49689 or at (231) 848-4564.

Norman Township  
Statement of Net Assets  
June 30, 2007

**ASSETS**

	Governmental activities
<b>CURRENT ASSETS</b>	
Cash and equivalents	\$ 82,351
Investments	513,356
Receivables	31
Total current assets	595,738
 <b>NONCURRENT ASSETS</b>	
Capital assets, net	
Nondepreciable	31,363
Depreciable	566,143
Total noncurrent assets	597,506
Total assets	\$ 1,193,244

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>	
Accounts payable	8,886
Current portion long-term debt	15,000
Total current liabilities	23,886
 <b>LONG-TERM LIABILITIES</b>	
Bonds payable	125,000
Total liabilities	148,886
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	457,506
Restricted for:	
Debt service	101,929
Unrestricted	484,923
Total net assets	\$ 1,044,358

The accompanying notes are an integral part of this statement.

Norman Township  
Statement of Activities  
For the year ended June 30, 2007

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenue Charges for services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Governmental activities:			<u>Governmental activities</u>
General government	\$ 217,324	\$ 17,550	\$ (199,774)
Public safety	72,377	-	(72,377)
Public works	55,188	48,763	(6,425)
Health and public welfare	29,919	2,500	(27,419)
Community and economic development	15,975	-	(15,975)
Culture and recreation	16,973	-	(16,973)
Interest	7,156	-	(7,156)
Total governmental activ	<u>\$ 414,912</u>	<u>\$ 68,813</u>	<u>(346,099)</u>
General revenues			
Property taxes, levied for general purposes			89,000
Property taxes, levied for specific purposes			186,377
Other taxes			6,289
Grants and contributions not restricted to specific programs			124,244
Unrestricted investment earnings			22,820
Miscellaneous			8,409
Total general revenues and special items			<u>437,139</u>
Change in net assets			91,040
Net assets at July 1, 2006			<u>953,318</u>
Net assets at June 30, 2007			<u>\$ 1,044,358</u>

The accompanying notes are an integral part of this statement.

Norman Township  
Balance Sheet  
Governmental Funds  
June 30, 2007

**ASSETS**

<b>ASSETS</b>	General Fund	Fire Fund	Ambulance Fund	Rubbish Collection Fund	Norman Township Community Center Debt Service Fund	Total Governmental Funds
Cash and equivalents	\$ 26,912	\$ 20,324	\$ 11,666	\$ 13,780	\$ 9,669	\$ 82,351
Investments	140,812	146,681	116,646	16,957	92,260	513,356
Accounts receivable	31	-	-	-	-	31
Due from other funds	10,000	-	-	-	-	10,000
Due from other governmental units	-	-	-	-	-	-
Total assets	<u>\$ 177,755</u>	<u>\$ 167,005</u>	<u>\$ 128,312</u>	<u>\$ 30,737</u>	<u>\$ 101,929</u>	<u>\$ 605,738</u>

**LIABILITIES AND FUND BALANCES**

<b>LIABILITIES</b>						
Accounts payable	\$ 3,843	\$ 321	\$ 262	\$ 4,460	\$ -	\$ 8,886
Due to other funds	-	-	-	10,000	-	10,000
Total liabilities	<u>3,843</u>	<u>321</u>	<u>262</u>	<u>14,460</u>	<u>-</u>	<u>18,886</u>

**FUND BALANCES**

Reserved for:						
Fire operations	-	166,684	-	-	-	166,684
Ambulance operations	-	-	128,050	-	-	128,050
Rubbish collection operations	-	-	-	16,277	-	16,277
Debt service	-	-	-	-	101,929	101,929
Unreserved	173,912	-	-	-	-	173,912
Total fund balances	<u>173,912</u>	<u>166,684</u>	<u>128,050</u>	<u>16,277</u>	<u>101,929</u>	<u>586,852</u>
Total liabilities and fund balances	<u>\$ 177,755</u>	<u>\$ 167,005</u>	<u>\$ 128,312</u>	<u>\$ 30,737</u>	<u>\$ 101,929</u>	<u>\$ 605,738</u>

The accompanying notes are an integral part of this statement.

**Norman Township**  
 Reconciliation of the Governmental Funds Balance Sheet  
 to the Statement of Net Assets  
 June 30, 2007

Total fund balance—governmental funds	\$	586,852
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Cost of capital assets	\$ 1,059,499	
Accumulated depreciation	<u>(461,993)</u>	597,506

Long-term liabilities in governmental activities are not due and payable in the current period are not reported in the governmental funds.

Bonds payable	(140,000)
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Net assets of governmental activities in the Statement of Net Assets	\$	<u><u>1,044,358</u></u>
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The accompanying notes are an integral part of this statement.

Norman Township  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the year ended June 30, 2007

	General	Fire	Ambulance	Rubbish	Norman Township Community Center Debt	Total governmental
	Fund	Fund	Fund	Collection	Service Fund	funds
<b>REVENUES</b>						
Property taxes	\$ 89,000	\$ 96,228	\$ 48,108	\$ -	\$ 42,041	\$ 275,377
Other taxes	6,289	-	-	-	-	6,289
Special assessments	-	-	-	48,763	-	48,763
Intergovernmental revenues - state	124,244	-	-	-	-	124,244
Charges for services	12,505	-	2,500	-	-	15,005
Licenses and permits	5,045	-	-	-	-	5,045
Fines	549	-	-	-	-	549
Investment earnings	6,928	6,132	4,957	839	3,964	22,820
Miscellaneous	6,422	141	905	392	-	7,860
Total revenues	250,982	102,501	56,470	49,994	46,005	505,952
<b>EXPENDITURES</b>						
Current:						
General government	197,769	-	-	-	-	197,769
Public safety	-	53,005	-	-	-	53,005
Public works	-	-	-	54,691	-	54,691
Health and public welfare	-	-	17,979	-	-	17,979
Community and economic development	15,975	-	-	-	-	15,975
Culture and recreation	15,655	-	-	-	-	15,655
Capital outlay	4,950	7,995	-	-	-	12,945
Debt service						
Principal	-	-	-	-	15,000	15,000
Interest and fees	-	-	-	-	7,156	7,156
Total expenditures	234,349	61,000	17,979	54,691	22,156	390,175
Net change in fund balances	16,633	41,501	38,491	(4,697)	23,849	115,777
Fund balance at July 1, 2006	157,279	125,183	89,559	20,974	78,080	471,075
Fund balance at June 30, 2007	\$ 173,912	\$ 166,684	\$ 128,050	\$ 16,277	\$ 101,929	\$ 586,852

The accompanying notes are an integral part of this statement.

## Norman Township

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the governmental funds to the Statement of Activities For the year ended June 30, 2007

Net changes in fund balances - total governmental funds \$ 115,777

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(52,682)
Capital outlay	12,945

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets

15,000

Change in net assets of governmental activities	\$ <u><u>91,040</u></u>
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The accompanying notes are an integral part of this statement.

Norman Township  
Statement of Fiduciary Assets and Liabilities  
Agency Fund  
For the year ended June 30, 2007

	Tax Collection Fund
<b>ASSETS</b>	<u>                    </u>
Cash and investments	\$ <u>          -</u>
<b>LIABILITIES</b>	<u>                    </u>
Due to other governmental units	\$ <u>          -</u>

The accompanying notes are an integral part of this statement.

**Norman Township**  
Notes to the Financial Statements  
June 30, 2007

**I. Summary of significant accounting policies**

The accounting policies of Norman Township have been prepared to conform with accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by Norman Township.

**A. Reporting entity**

Norman Township is a general law township located in Manistee County, which operates under the direction of a five member elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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 the government-wide financial statements. Major individual governmental funds and major individual proprietary 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 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 the year for which they are levied. Grants and similar items are

**Norman Township**  
Notes to the Financial Statements  
June 30, 2007

recognized as revenue 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 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.

Property and other 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Norman 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 the activities of the Norman Township Fire Department.

The Ambulance Fund is used to record the revenue and expenses of the Township Ambulance service.

The Rubbish Collection Fund tracks the financial activities of the Township transfer station.

The Norman Township Community Center Debt Service Fund reflects property taxes and other revenues collected to meet debt service needs of the Township related to the payment of principal, interest, and fees on the Norman Township Community Center.

**Norman Township**  
Notes to the Financial Statements  
June 30, 2007

Additionally, the township reports the following fund type:

The tax collection agency fund accounts for all of the tax collection payments and disbursements to Norman Township and other governmental units.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. 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 guidance.

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

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.

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

**D. Assets, liabilities and net assets or equity**

***1. Deposits and investments***

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 the date of acquisition.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds. All investments are reported at fair value.

**Norman Township**  
Notes to the Financial Statements  
June 30, 2007

***2. Receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”.

All trade and property tax receivables are shown net of allowance for uncollectibles. The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Property taxes are levied on December 1 on the taxable valuation of real and personal property (as defined by state statutes) located in the Township as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 state taxable value for property within the Township totaled approximately \$47,619,096. The property tax levied consisted of 1.3539 mills for the Township’s operating purposes, 1 mill for Ambulance services, 2 mills for Fire Department operations and .8746 for debt service. The tax revenue is recorded in the Township’s General Fund, Ambulance Fund, Fire Fund, and Norman Township Community Center Debt Service Fund, respectively.

The Township charges a special assessment of \$31 on certain improved parcels within the Township. The special assessment is recorded in the Rubbish Collection Fund.

***3. Capital assets***

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000 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 the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**Norman Township**  
Notes to the Financial Statements  
June 30, 2007

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

<u>Assets</u>	<u>Years</u>
Land improvements	15-30
Buildings and improvements	10-30
Furniture and equipment	5-7
Vehicles	5-10

***4. 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.

***5. 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.

**II. Stewardship, compliance and accountability**

**A. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at fiscal year end.

The township board works together with the supervisor to prepare the budget. The budget is then approved by the Township Board prior to June 30. The operating budget includes proposed expenditures and the means of financing them. A public hearing is held at the Township Hall to obtain taxpayer comments. Prior to the end of the fiscal year, the Township Board enacts the budget through a resolution. The budget is amended throughout the year, when required to provide for additional revenues and expenditures.

The appropriated budget is prepared by fund and function. Transfers of appropriations between functions require the approval of the Township Board. The legal level of budgetary control is the function level. The Township Board made several budgetary appropriations throughout the year.

**Norman Township**  
Notes to the Financial Statements  
June 30, 2007

**III. Detailed notes on all funds**

**A. Deposits and investments**

As of June 30, 2007, the township had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fitch Rating</u>	<u>Weighted average maturity Days</u>	<u>Percent</u>
External investment pool – Michigan CLASS	\$513,356	AAA-V1	1	100%

The Township invests excess funds in an external investment pool, as evidenced by shares owned in the MBIA Michigan CLASS investment pool. The pool invests in a portfolio of investments legally permissible for Michigan local units of government.

***Interest Rate Risk***

The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

***Credit Risk***

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The Township’s investment policy does not further limit its investment options.

***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Township does not have a concentration of credit risk policy.

***Custodial Credit Risk - Deposits***

Custodial credit risk in the case of deposits is the risk that in the event of a bank failure, the Township’s deposits may not be returned to it. State law does not require, and the Township does not have, a deposit policy for custodial credit risk. As of June 30, 2007, all of the Township’s governmental funds’ bank balance of \$18,071 was covered by federal depository insurance.

***Foreign currency risk***

The Township is not authorized to invest in securities which have this type of risk.

**Norman Township**  
Notes to the Financial Statements  
June 30, 2007

**B. Receivables**

The Township's receivables in the governmental funds consisted of \$31 in trade receivables.

**C. Capital assets**

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2007</u>
Capital assets, not being depreciated:				
Land	\$ 31,363	\$ -	\$ -	\$ 31,363
Capital assets, being depreciated:				
Land improvements	9,767	7,995	-	17,762
Buildings and improvements	455,201	-	-	455,201
Equipment and furniture	71,633	-	-	71,633
Vehicles	478,590	4,950	-	483,540
Total capital assets, being depreciated:	<u>1,015,191</u>	<u>12,945</u>	<u>-</u>	<u>1,028,136</u>
Less accumulated depreciation	(409,311)	(52,682)	-	(461,993)
Net capital assets, being depreciated	<u>605,880</u>	<u>(39,737)</u>	<u>-</u>	<u>566,143</u>
Total governmental capital, net	<u>\$ 637,243</u>	<u>\$ (39,737)</u>	<u>\$ -</u>	<u>\$ 597,506</u>

Depreciation expense was charged to the following functions of the primary government:

General government	\$ 19,555
Public safety	19,372
Public works	497
Health and public welfare	11,940
Culture and recreation	1,318
	<u>\$ 52,682</u>

**Norman Township**  
Notes to the Financial Statements  
June 30, 2007

**D. Interfund receivables, payables, and transfers**

The Township's interfund balances at June 30, 2007 consisted of the following:

Due to General Fund from:	
Rubbish Collection Fund	\$10,000

**E. Long-term obligations**

The Township issued revenue bonds of \$250,000 in June of 1998 for the purpose of building a community center. The bonds are secured and payable through an annual property tax levy, which allows for the payment of interest and principal payments as they become due. The 1998 Revenue Bonds require two payments each year, at interest rates ranging from 3.95% to 5.1%. Payments range from \$4,303 to \$25,638 through November 1, 2013.

The following schedule summarizes the Township's long-term obligation activity for the year ended June 30, 2007:

**Governmental activities:**

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due within one year
Bonds payable	\$ 155,000	\$ -	\$ 15,000	\$ 140,000	\$ 15,000

The annual principal and interest requirements are detailed in the following schedule:

<b>Year ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$ 15,000	\$ 6,430	\$ 21,430
2009	20,000	5,620	25,620
2010	20,000	4,685	24,685
2011	20,000	3,735	23,735
2012	20,000	2,765	22,765
2013-2014	45,000	2,413	47,413
	<u>\$ 140,000</u>	<u>\$ 25,648</u>	<u>\$ 165,648</u>

**F. Fund balance restrictions**

The Township's restricted net assets at June 30, 2007 consisted of assets restricted for the payment of interest and principal on the Community Center bonds payable.

**Norman Township**  
Notes to the Financial Statements  
June 30, 2007

**G. Other information**

***1. 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 for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

***2. Contingent liabilities***

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

**H. Economic dependency**

The Township relies on the State of Michigan Shared Revenue program to fund a portion of its current governmental operations. For the year ended June 30, 2007, the state shared revenue was approximately 25% of total governmental revenue.

**Required supplementary information**

Norman Township  
Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
For the year ended June 30, 2007

REVENUES	Budgeted Amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
Local Source Revenues	\$ 94,271	\$ 113,165	\$ 120,449	\$ 7,284
State Source Revenues	130,850	131,840	124,244	(7,596)
Federal Source Revenues	5,000	6,285	6,289	4
Total revenues	230,121	251,290	250,982	(308)
 <b>EXPENDITURES</b>				
Current				
General government				
Township board	4,406	5,045	4,953	92
Supervisor	8,924	8,999	8,801	198
Elections	3,950	4,210	4,079	131
Clerk	11,662	10,212	10,067	145
Treasurer	17,085	17,535	17,185	350
Assessor	34,046	34,580	34,361	219
Townhall	64,660	62,457	61,265	1,192
Board of review	813	564	555	9
Cemetery	2,753	2,753	2,349	404
Other governmental functions	54,100	53,525	54,154	(629)
Public safety				
Liquor law enforcement	1,500	1,500	-	1,500
Public works				
Highways and streets	5,000	-	-	-
Community and economic development				
Planning	3,600	1,615	2,182	(567)
Zoning	24,265	16,941	13,793	3,148
Culture and recreation	12,500	12,150	15,655	(3,505)
Contingency				
E-95 Junction	3,000	3,000	-	3,000
Wellston Woods	3,000	3,000	-	3,000
National Forest Road	19,174	30,463	-	30,463
Capital outlay	3,000	4,950	4,950	-
Total expenditures	277,438	273,499	234,349	39,150
Excess of revenues over expenditures	(47,317)	(22,209)	16,633	38,842
 <b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	500	10,000	-	10,000
Transfer out	-	(10,000)	-	(10,000)
	500	-	-	-
Net change in fund balance	\$ (46,817)	\$ (22,209)	16,633	\$ 38,842
Fund balance at July 1, 2006			157,279	
Fund balance at June 30, 2007			\$ 173,912	

**Norman Township**  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 Fire Fund  
 For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with final budget- positive (negative)
<b>REVENUES</b>	Original	Final		
Local Source Revenues	\$ 99,260	\$ 101,010	\$ 102,501	\$ 1,491
 <b>EXPENDITURES</b>				
Current				
Public safety - Fire	58,061	62,226	53,005	9,221
Capital outlay	150,000	100,000	7,995	92,005
Total expenditures	208,061	162,226	61,000	101,226
Net change in fund balance	\$ (108,801)	\$ (61,216)	41,501	\$ 102,717
Fund balance at July 1, 2006			125,183	
Fund balance at June 30, 2007			\$ 166,684	

**Norman Township**  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 Ambulance Fund  
 For the year ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with final budget- positive (negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Source Revenues	\$ 55,119	\$ 54,425	\$ 56,470	\$ 2,045
<b>EXPENDITURES</b>				
Current				
Health and public welfare - Ambulance	20,200	17,952	17,979	(27)
Capital outlay	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total expenditures	<u>70,200</u>	<u>67,952</u>	<u>17,979</u>	<u>49,973</u>
Net change in fund balance	<u>\$ (15,081)</u>	<u>\$ (13,527)</u>	38,491	<u>\$ 52,018</u>
Fund balance at July 1, 2006			<u>89,559</u>	
Fund balance at June 30, 2007			<u>\$ 128,050</u>	

**Norman Township**  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 Rubbish Collection Fund  
 For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with final budget- positive (negative)
<b>REVENUES</b>	Original	Final		
Local Source Revenues	\$ 51,334	\$ 49,694	\$ 49,994	\$ 300
<b>EXPENDITURES</b>				
Current				
Public works - Rubbish collection	50,405	52,897	54,691	(1,794)
Total expenditures	50,405	52,897	54,691	(1,794)
Excess of revenues over expenditures	929	(3,203)	(4,697)	(1,494)
<b>OTHER FINANCING USES</b>				
Transfer out	-	(10,000)	-	10,000
Net change in fund balance	\$ 929	\$ (13,203)	(4,697)	\$ 8,506
Fund balance at July 1, 2006			20,974	
Fund balance at June 30, 2007			\$ 16,277	

**Norman Township**  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 Norman Township Community Center Debt Service Fund  
 For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
<b>REVENUES</b>				
Local Source Revenues	\$ 45,185	\$ 45,120	\$ 46,005	\$ 885
<b>EXPENDITURES</b>				
Debt service	<u>25,896</u>	<u>22,167</u>	<u>22,156</u>	<u>11</u>
Net change in fund balance	<u>\$ 19,289</u>	<u>\$ 22,953</u>	23,849	<u>\$ 896</u>
Fund balance at July 1, 2006			<u>78,080</u>	
Fund balance at June 30, 2007			<u>\$ 101,929</u>	