

Ravenna Township  
Muskegon County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended June 30, 2014



Ravenna Township

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As management of Ravenna Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Ravenna Township for the fiscal year ended June 30, 2014. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

### FINANCIAL HIGHLIGHTS

The General Fund balance decreased \$248,474. The decrease was due to the expenditure of loan proceeds of \$275,000 which were received at the end of the prior fiscal year for a library expansion.

The Fire Fund balance increased \$19,800.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

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

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

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Township include general government, public safety, public works, community and economic development and culture and recreation activities. The Township does not currently have any business-type activities.

### **Fund Financial Statements**

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

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

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

Ravenna Township maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund, and Cemetery Perpetual Care Fund, which are considered major funds.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the government-wide financial statements.

### **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual revenues and expenditures for the General Fund and the Fire Fund.

**Government-wide Financial Analysis**

The first table presented below is a summary of the government-wide statement of net position for the Township. As stated earlier, the net position may be used as an indicator of a government's financial health. As of June 30, 2014, the Township's net position from governmental activities totaled \$1,193,258.

In examining the composition of net position, the reader should note that governmental activities include net position that is invested in capital assets (i.e., buildings, land, vehicles, 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. Certain other governmental net position is shown as restricted, meaning that it is subject to external restrictions on how it may be used. The unrestricted net position for governmental activities actually depicts a balance of \$169,137. This represents the amount of discretionary resources that can be used for general governmental operations.

Capital assets increased because of the completion of the library expansion project. Correspondingly, current assets decreased as the Township spent prior year loan proceeds on the project. Noncurrent liabilities decreased due to scheduled debt service.

**Net Position**

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Current assets	\$ 397,769	\$ 643,505
Capital assets	<u>1,148,692</u>	<u>900,778</u>
Total assets	1,546,461	1,544,283
Current liabilities	57,773	70,080
Noncurrent liabilities	<u>295,430</u>	<u>353,309</u>
Total liabilities	<u>353,203</u>	<u>423,389</u>
Net position		
Net investment in capital assets	804,262	775,469
Restricted	219,859	194,447
Unrestricted	<u>169,137</u>	<u>150,978</u>
Total net position	<u>\$ 1,193,258</u>	<u>\$ 1,120,894</u>

**Governmental Activities**

Governmental activities net position increased by \$72,364 during the 2014 fiscal year. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

Capital grants and contributions increased due to donations received for the library expansion project. Miscellaneous revenues decreased due to an insurance reimbursement in the prior year. General government expenses decreased due to fewer legal fees and public works expenses increased due to chip seal work done on Sherman Boulevard in conjunction with a neighboring township and the Muskegon County Road Commission. Other expenses were comparable to the prior year.

**Change in Net Position**

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues		
Charges for services	\$ 22,483	\$ 22,993
Operating grants and contributions	8,827	7,725
Capital grants and contributions	42,233	700
General revenues		
Property taxes	277,780	283,477
Grants and contributions not restricted	127,549	123,168
Unrestricted investments earnings	1,381	1,599
Miscellaneous	7,348	23,851
Total revenues	<u>487,601</u>	<u>463,513</u>
Expenses:		
General government	187,881	203,949
Public safety	147,957	141,047
Public works	54,173	29,019
Community and economic development	275	250
Culture and recreation	12,790	9,450
Interest on long term debt	12,161	7,415
Total expenses	<u>415,237</u>	<u>391,130</u>
Change in net position	72,364	72,383
Net position - Beginning	<u>1,120,894</u>	<u>1,048,511</u>
Net position - Ending	<u>\$ 1,193,258</u>	<u>\$ 1,120,894</u>

### Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, Ravenna Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of Ravenna Township governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2014 fiscal year, the governmental funds reported a combined unassigned fund balance of \$169,137, all of which is in the General Fund. The remainder of the fund balance is nonspendable as it is held in reserve for perpetual care or restricted for library improvements or fire protection.

The General Fund is the chief operating fund of the Township and the other major fund is the Fire Fund. The General Fund fund balance is \$177,504, a decrease of \$248,474 from the prior year. The Fire Fund fund balance is \$195,678, an increase of \$19,800 from the prior year. The decrease in the General was due to loan proceeds of \$275,000 which were received at the end of the prior fiscal year that were spent on a library expansion.

### General Fund Budget

During the current fiscal year, the Township made several amendments to its original General Fund budget. The most significant of those are listed below:

- Library and museum expenditures were amended up by \$6,314 to account for higher operating costs of the newly expanded library.
- Capital outlay expenditures were amended up by \$285,616 because of a library expansion.

The following comments summarize the major variations from the final budget to actual revenues and expenditures:

- Other revenues were \$38,450 more than budgeted due to unbudgeted donations received for the library expansion project.
- Administration expenditures were \$6,719 less than budgeted due to lower than anticipated legal fees.

**Capital Assets**

The Township's investment in capital assets for its governmental activities as of June 30, 2014 totaled \$1,148,692 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, land improvements and vehicles and equipment.

Major governmental capital asset events during the current year included the following:

- The library expansion project was completed at a total cost of \$300,104.
- A new shed was constructed at the Township hall.
- A new cyclone rake was purchased for the cemetery.

**Capital Assets  
(Net of Accumulated Depreciation)**

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 42,750	\$ 42,750
Construction in progress	-	9,987
Land improvements	10,865	12,118
Buildings and improvements	873,696	593,635
Vehicles and equipment	221,381	242,288
Total	<u>\$ 1,148,692</u>	<u>\$ 900,778</u>

Additional information on the Township's capital assets can be found in Note D of the "Notes to Financial Statements" of this report.

**Long-Term Debt**

At the end of the 2014 fiscal year, Ravenna Township had total outstanding debt of \$344,430 consisting of two installment purchase agreements. The debt is backed by the full-faith and credit of the Township. One installment loan was for a fire station addition. The payment of this loan is anticipated through the revenues generated from the Fire Fund millage. The other installment loan was for a library expansion project. The payment of this loan will be made by the General Fund.

Additional information on Ravenna Township's long-term debt can be found in Note F of the "Notes to Financial Statements" of this report.

**General Economic Overview**

The Township's General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprise approximately 76% of the General Fund's revenue sources. In fiscal year 2015, the Township expects property taxes to remain about the same and has budgeted an increase of 2% in state revenue sharing. Other revenues are budgeted to be relatively consistent other than there will be fewer donations for the Library as the expansion project has been completed.

The Township expects General Fund operating expenditures in fiscal year 2015 to remain approximately the same as fiscal year 2014 other than about \$9,000 for a culvert replacement to be done in conjunction with the Muskegon County Road Commission. The only capital expenditure that the Township has budgeted is new sidewalk around the Township hall.

No significant changes are budgeted in the Fire Fund other than the purchase of some new turnout gear and a new roof on the old portion of the fire station.

**Requests for Information**

This financial report is designed to provide a general overview of Ravenna 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 Ravenna Township, 3770 Blackmer Road, P.O. Box 153 Ravenna, MI 49451 (231) 853-6205.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

August 12, 2014

Township Board  
Ravenna Township  
Ravenna, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ravenna Township, Michigan, as of and for the year ended June 30, 2014, and the notes to financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

Township Board  
Ravenna Township  
August 12, 2014  
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**Opinions**

In our 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 Ravenna Township, Michigan, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison schedules on pages i through vii and 20 through 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Muskegon, Michigan

Ravenna Township  
**STATEMENT OF NET POSITION**  
June 30, 2014

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current assets	
Cash and investments	\$ 351,885
Due from other governmental units	45,884
Total current assets	397,769
Noncurrent assets	
Capital assets, net	
Nondepreciable	42,750
Depreciable	1,105,942
Total noncurrent assets	1,148,692
Total assets	1,546,461
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable and accrued liabilities	6,872
Due to other governmental units	1,901
Long-term liabilities, due within one year	49,000
Total current liabilities	57,773
Noncurrent liabilities	
Long-term liabilities, less amounts due within one year	295,430
Total liabilities	353,203
<b>NET POSITION</b>	
Net investment in capital assets	804,262
Restricted	
Library	6,167
Fire protection	191,778
Perpetual care - non-expendable	21,914
Unrestricted	169,137
Total net position	<b>\$ 1,193,258</b>

The accompanying notes are an integral part of this statement.

Ravenna Township  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities					
General government	\$ 187,881	\$ 13,099	\$ -	\$ -	\$ (174,782)
Public safety	147,957	9,384	-	-	(138,573)
Public works	54,173	-	3,075	-	(51,098)
Community and economic development	275	-	-	-	(275)
Culture and recreation	12,790	-	5,752	42,233	35,195
Interest on long-term debt	12,161	-	-	-	(12,161)
Total governmental activities	<b><u>\$ 415,237</u></b>	<b><u>\$ 22,483</u></b>	<b><u>\$ 8,827</u></b>	<b><u>\$ 42,233</u></b>	(341,694)
General revenues					
Property taxes, levied for					
General purposes					119,761
Specific purposes					158,019
Grants and contributions not restricted to specific programs					127,549
Unrestricted investment earnings					1,381
Miscellaneous					7,348
Total general revenues					<u>414,058</u>
Change in net position					72,364
Net position at July 1, 2013					<u>1,120,894</u>
Net position at June 30, 2014					<b><u>\$ 1,193,258</u></b>

The accompanying notes are an integral part of this statement.

Ravenna Township  
**BALANCE SHEET**  
 Governmental Funds  
 June 30, 2014

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Cemetery Perpetual Care Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 132,636	\$ 195,678	\$ 23,571	\$ 351,885
Due from other governmental units	45,884	-	-	45,884
Due from other funds	1,657	-	-	1,657
Total assets	<b>\$ 180,177</b>	<b>\$ 195,678</b>	<b>\$ 23,571</b>	<b>\$ 399,426</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 772	\$ -	\$ -	\$ 772
Due to other funds	-	-	1,657	1,657
Due to other governmental units	1,901	-	-	1,901
Total liabilities	2,673	-	1,657	4,330
<b>FUND BALANCES</b>				
Nonspendable - perpetual care	-	-	21,914	21,914
Restricted				
Library	8,367	-	-	8,367
Fire protection	-	195,678	-	195,678
Unassigned	169,137	-	-	169,137
Total fund balances	177,504	195,678	21,914	395,096
Total liabilities and fund balances	<b>\$ 180,177</b>	<b>\$ 195,678</b>	<b>\$ 23,571</b>	<b>\$ 399,426</b>

The accompanying notes are an integral part of this statement.

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

Total fund balance—governmental funds \$ 395,096

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

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

Cost of capital assets	\$ 1,771,926	
Accumulated depreciation	<u>(623,234)</u>	1,148,692

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

Accrued interest payable	(6,100)	
Installment purchase agreements	<u>(344,430)</u>	<u>(350,530)</u>

Net position of governmental activities		<u><b>\$ 1,193,258</b></u>
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The accompanying notes are an integral part of this statement.

Ravenna Township  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
 Governmental Funds  
 For the year ended June 30, 2014

	<b>General Fund</b>	<b>Fire Fund</b>	<b>Cemetery Perpetual Care Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Property taxes	\$ 119,761	\$ 158,019	\$ -	\$ 277,780
Licenses and permits	9,591	-	-	9,591
Intergovernmental revenues - State	130,624	-	-	130,624
Charges for services	9,291	-	2,049	11,340
Investment earnings	1,293	73	15	1,381
Other	54,950	1,935	-	56,885
Total revenues	325,510	160,027	2,064	487,601
<b>EXPENDITURES</b>				
Current				
General government	166,929	-	-	166,929
Public safety	12,049	95,227	-	107,276
Public works	51,648	-	-	51,648
Community and economic development	275	-	-	275
Culture and recreation	12,791	-	-	12,791
Other governmental functions	15,711	-	-	15,711
Debt service				
Principal	15,145	40,734	-	55,879
Interest and fees	8,546	4,266	-	12,812
Capital outlay	296,359	-	-	296,359
Total expenditures	579,453	140,227	-	719,680
Excess of revenues over (under) expenditures	(253,943)	19,800	2,064	(232,079)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,469	-	-	5,469
Transfers out	-	-	(5,469)	(5,469)
Total other financing sources (uses)	5,469	-	(5,469)	-
Net change in fund balances	(248,474)	19,800	(3,405)	(232,079)
Fund balances at July 1, 2013	425,978	175,878	25,319	627,175
Fund balances at June 30, 2014	<b>\$ 177,504</b>	<b>\$ 195,678</b>	<b>\$ 21,914</b>	<b>\$ 395,096</b>

The accompanying notes are an integral part of this statement.

Ravenna Township  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2014

Net change in fund balances—total governmental funds \$ (232,079)

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 these assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	\$ (48,445)	
Capital outlay	296,359	247,914

The issuance of long-term debt provides current financial resources to governmental funds, but increases liabilities in the Statement of Net Position. Repayment of debt is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Position.

Repayment of principal on long-term debt	55,879	
Change in accrued interest payable	650	56,529

Change in net position of governmental activities		<b>\$ 72,364</b>
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The accompanying notes are an integral part of this statement.

Ravenna Township  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
 Agency Funds  
 June 30, 2014

	<b>Trust and Agency</b>	<b>Current Tax Account</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash and investments	\$ 5	\$ 4,418	\$ 4,423
<b>LIABILITIES</b>			
Due to other governmental units	\$ -	\$ 4,418	\$ 4,418
Other liabilities	5	-	5
Total liabilities	\$ 5	\$ 4,418	\$ 4,423

The accompanying notes are an integral part of this statement.

Ravenna Township  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Ravenna Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

**Reporting Entity**

The Township is a common law township governed by an elected five-member board. Generally accepted accounting principles require that if the Township is considered to be financially accountable for other organizations, those organizations should be included as component units in the Township's financial statements. Since no organizations met this criterion, none are included in the financial statements.

**Basis of Presentation—Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Township. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. The Township has no business-type activities.

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

The fund financial statements provide information about the Township's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The 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 is used to account for the special tax millage levied by the Township for operation of the fire department.

The Cemetery Perpetual Care Fund is used to account for service fees collected and investment income earned and to account for transfers to the General Fund to partially cover cemetery care expenses.

Ravenna Township  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Basis of Presentation—Government-wide and Fund Financial Statements—Continued**

Additionally, the Township reports the following fund type:

The agency funds account for assets held by the Township on behalf of others in a fiduciary capacity.

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**Measurement Focus and Basis of Accounting**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of 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 recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Ravenna Township  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Measurement Focus and Basis of Accounting—Continued**

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

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

***Cash and Investments***

The Township's cash and cash equivalents are reported at fair value (generally based on quoted market prices).

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 or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

***Capital Assets***

Capital assets, which include property 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 \$1,000 and an estimated useful life in excess of two years.

As the Township constructs or acquires additional capital assets each period they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair market value at the date of donation.

Land and construction in progress are not depreciated. The other property and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Years</u>
Land improvements	10-20
Buildings and improvements	20-40
Vehicles and equipment	5-20

Ravenna Township  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued**

***Deferred Outflows/Inflows of Resources***

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

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

***Net Position Flow Assumption***

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

***Fund Balance Flow Assumptions***

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

***Fund Balance Policies***

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

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

Ravenna Township  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued**

***Fund Balance Policies—Continued***

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

**Revenues and Expenditures/Expenses**

***Program Revenues***

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

***Property Taxes***

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. Taxes are levied and lien on December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollected real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all of these delinquent real property taxes. 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 2013 state taxable value for real/personal property of the Township totaled approximately \$79,009,000. The ad valorem taxes levied consisted of 1.1564 mills and 2.0 mills for the Township's general operating and fire operating purposes. These amounts are recognized in the General Fund and the Fire Fund, respectively.

Ravenna Township  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the permanent fund, which is not budgeted.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal

**NOTE C—DEPOSITS AND INVESTMENTS**

**Deposit and Investment Risks**

*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 two highest classifications issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

*Concentration of credit risk*

The Township does not have a concentration of credit risk policy. 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.

*Custodial credit risk - deposits*

In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of June 30, 2014, \$64,612 of the Township's bank balance of \$361,642 was exposed to custodial credit risk because it was uninsured and uncollateralized

*Custodial credit risk - investments*

The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

*Foreign currency risk*

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

Ravenna Township  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014 was as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2014</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 42,750	\$ -	\$ -	\$ 42,750
Construction in progress	9,987	290,117	300,104	-
Total capital assets, not being depreciated	52,737	290,117	300,104	42,750
<b>Capital assets, being depreciated:</b>				
Land improvements	29,962	975	-	30,937
Buildings and improvements	800,234	302,639	-	1,102,873
Vehicles and equipment	592,634	2,732	-	595,366
Total capital assets, being depreciated	1,422,830	306,346	-	1,729,176
<b>Less accumulated depreciation:</b>				
Land improvements	17,844	2,228	-	20,072
Buildings and improvements	206,599	22,578	-	229,177
Vehicles and equipment	350,346	23,639	-	373,985
Total accumulated depreciation	574,789	48,445	-	623,234
Total capital assets, being depreciated, net	848,041	257,901	-	1,105,942
Capital assets, net	<b>\$ 900,778</b>	<b>\$ 548,018</b>	<b>\$ 300,104</b>	<b>\$ 1,148,692</b>

**Depreciation**

Depreciation expense has been charged to functions as follows:

General government	\$ 9,409
Public safety	36,511
Culture and recreation	2,525
	<b>\$ 48,445</b>

Ravenna Township  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2014

**NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of June 30, 2014 is as follows:

**Due to/from other funds:**

The Cemetery Fund owes the General Fund \$1,657 for capital improvements.

**Interfund transfers:**

The Cemetery Fund transferred \$5,469 to the General Fund for cemetery operations and capital improvements.

**NOTE F—LONG-TERM DEBT**

**Summary of Changes in Long-Term Liabilities**

The following is a summary of long-term liabilities activity for the Township for the year ended June 30, 2014:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental activities:</b>					
Installment purchase agreements	\$ 400,309	\$ -	\$ 55,879	\$ 344,430	\$ 49,000
<b>Installment purchase agreements:</b>					
\$423,580 2002 Installment Purchase Agreement; due in annual installments of \$38,400 including interest through July 2017; interest at 4.29%					\$ 84,575
\$275,000 Installment Purchase Agreement; due in annual installments of \$23,690 including interest through April 2028; interest at 3.39%					259,855
					<u>\$ 344,430</u>

Annual debt service requirements to maturity for debt outstanding as of June 30, 2014, follow:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 49,000	\$ 13,144
2016	51,000	11,178
2017	31,000	9,538
2018	16,000	7,273
2019	17,000	6,716
2020-2024	94,000	24,550
2025-2028	86,430	7,517
	<u>\$ 344,430</u>	<u>\$ 79,916</u>

Ravenna Township  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE G—OTHER INFORMATION**

**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; injuries to employees and natural disasters. The Township manages its liability and property risk as a member of the Michigan Township Participating Plan (MTPP), a public entity risk pool providing liability and property coverage to its participating members. The Township pays an annual premium to MTPP for its insurance coverage. The MTPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township carries commercial insurance for workers' compensation, employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE H—PENSION PLANS**

**Defined Contribution Pension Plan**

The Township maintains a defined contribution retirement plan that covers all of its elected officials. The Township contributes 12.4 percent of each eligible employee's salary to the plan. Participants are not required to contribute to the plan. The Township's contribution for the year ended June 30, 2014 was approximately \$7,300.

**NOTE I—ECONOMIC DEPENDENCY**

State of Michigan shared revenues represent approximately 39 percent of General Fund revenues.

**REQUIRED SUPPLEMENTARY INFORMATION**

Ravenna Township  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
General Fund  
For the year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget- Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 123,500	\$ 123,500	\$ 119,761	\$ (3,739)
Licenses and permits	6,905	6,905	9,591	2,686
Intergovernmental revenues - State	129,500	129,500	130,624	1,124
Charges for services	12,000	12,000	9,291	(2,709)
Investment earnings	1,500	1,500	1,293	(207)
Other	16,500	16,500	54,950	38,450
Total revenues	289,905	289,905	325,510	35,605
<b>EXPENDITURES</b>				
Current				
General government				
Township board	12,990	12,990	12,249	741
Supervisor	11,240	11,240	11,240	-
Elections	2,000	2,494	2,494	-
Board of review	500	500	517	(17)
Clerk	22,268	22,278	22,429	(151)
Treasurer	22,968	22,978	22,838	140
Assessor	23,500	23,500	23,384	116
Administration	29,675	36,729	30,010	6,719
Cemetery	24,000	24,190	22,753	1,437
Building and grounds	17,000	19,530	19,015	515
Public safety				
Inspection department	9,050	11,941	12,049	(108)
Public works				
Roads	52,500	52,500	51,648	852
Community and economic development				
Zoning	400	400	275	125
Culture and recreation				
Library and museum	5,500	11,814	10,934	880
Community services	2,000	2,000	1,857	143
Other governmental functions				
Insurance	13,000	13,000	12,413	587
Payroll benefits	6,000	6,000	3,298	2,702
Debt service				
Principal	15,400	15,400	15,145	255
Interest and fees	8,600	8,600	8,546	54
Capital outlay	11,200	296,816	296,359	457
Total expenditures	289,791	594,900	579,453	15,447
Excess of revenues over (under) expenditures	114	(304,995)	(253,943)	51,052
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	5,469	5,469
Net change in fund balance	<b>\$ 114</b>	<b>\$ (304,995)</b>	(248,474)	<b>\$ 56,521</b>
Fund balance at July 1, 2013			425,978	
Fund balance at June 30, 2014			<b>\$ 177,504</b>	

Ravenna Township  
 Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
 Fire Fund  
 For the year ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget- Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Property taxes	\$ 160,566	\$ 160,566	\$ 158,019	\$ (2,547)
Investment earnings	15	15	73	58
Other	10,312	10,312	1,935	(8,377)
Total revenues	170,893	170,893	160,027	(10,866)
<b>EXPENDITURES</b>				
Current				
Public safety	115,778	115,778	95,227	20,551
Debt service				
Principal	40,734	40,734	40,734	-
Interest and fees	4,266	4,266	4,266	-
Capital outlay	100	100	-	100
Total expenditures	160,878	160,878	140,227	20,651
Net change in fund balance	<b><u>\$ 10,015</u></b>	<b><u>\$ 10,015</u></b>	19,800	<b><u>\$ 9,785</u></b>
Fund balance at July 1, 2013			<u>175,878</u>	
Fund balance at June 30, 2014			<b><u>\$ 195,678</u></b>	