

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 RAVENNA TOWNSHIP	County MUSKEGON
Fiscal Year End 06/30/07	Opinion Date 09/28/07	Date Audit Report Submitted to State 10/12/07	

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"/>	No comments in the current year.	
Other (Describe)	<input type="checkbox"/>	No single audit required.	
Certified Public Accountant (Firm Name) BRICKLEY DELONG		Telephone Number (231) 726-5820	
Street Address 316 MORRIS AVE., SUITE 500		City MUSKEGON	State Zip MI 49440
Authorizing CPA Signature <i>Timothy D. Arter, CPA for Brickley DeLong, P.C.</i>		Printed Name TIMOTHY D. ARTER	License Number 10253

Ravenna Township
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2007

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, 2007. 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 fund balance increased \$46,174.

The Fire Fund fund balance decreased \$14,001. The fire fund purchased a new fire tanker for \$149,472. \$105,550 of the purchase was financed with an installment purchase agreement.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. Ravenna Township's 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 Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the fiscal year. All changes in net assets 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 the 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 cultural and recreational 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. Ravenna 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 and the Fire Fund, which are considered major funds. Data from the other fund is presented as an other governmental fund.

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 assets for Ravenna Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of June 30, 2007, the Township's net assets from governmental activities totaled \$1,186,126.

The increase in capital assets when compared to the prior year is due primarily to the purchase of a new fire tanker. The Township used an installment purchase agreement to pay part of the cost of the fire tanker which is the reason for the increase in noncurrent liabilities when compared to last year. Current year liabilities are down because the Township did not have a payable for early summer bringing this year.

In examining the composition of these net assets, the reader should note that a portion of governmental activities net assets are 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 assets are shown as restricted, meaning that they are subject to external restrictions on how they may be used. The unrestricted net assets for governmental activities actually depict a balance of \$360,693. This represents the amount of discretionary resources that can be used for general governmental operations.

Net Assets

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Current assets and other assets	\$ 550,265	\$ 538,242
Capital assets	1,057,702	918,815
Total assets	<u>1,607,967</u>	<u>1,457,057</u>
Current liabilities	51,000	59,755
Noncurrent liabilities	370,841	303,440
Total liabilities	<u>421,841</u>	<u>363,195</u>
Net assets		
Invested in capital assets, net of related debt	648,861	591,375
Restricted	176,572	189,219
Unrestricted	360,693	313,268
Total net assets	<u>\$ 1,186,126</u>	<u>\$ 1,093,862</u>

Governmental Activities

Governmental activities net assets increased by \$92,264 during the 2007 fiscal year. With all of the Township's governmental operations combined, the net result was that its operating revenues exceeded its operating expenditures, producing the resulting net assets. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

Property tax revenue is up this year compared to the prior year because of growth in the Township and increased taxable value. Unrestricted investment earnings are up because of increased interest rates. Public works expenses are down because the Township did not have an early summer brining done in 2007.

Change in Net Assets

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Revenues:		
Program revenues		
Charges for services	\$ 20,305	\$ 20,620
General revenues		
Property taxes	251,801	243,287
Grants and contributions not restricted	110,980	113,467
Unrestricted investments earnings	20,915	16,494
Miscellaneous	<u>14,340</u>	<u>15,963</u>
Total revenues	418,341	409,831
Expenses:		
General government	149,348	150,419
Public safety	124,255	127,922
Public works	22,780	34,651
Community and economic development	1,220	1,180
Culture and recreation	15,424	19,655
Interest on long term debt	<u>13,050</u>	<u>14,251</u>
Total expenses	<u>326,077</u>	<u>348,078</u>
Change in net assets	92,264	61,753
Net assets - Beginning	<u>1,093,862</u>	<u>1,032,109</u>
Net assets - Ending	<u>\$ 1,186,126</u>	<u>\$ 1,093,862</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, unreserved 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 2007 fiscal year, Ravenna Township governmental funds reported a combined unreserved fund balance of \$530,265. This number represents the unreserved fund balance of \$373,693 in the General Fund, \$140,611 in the Fire Fund and \$15,961 in the Cemetery Perpetual Care Fund. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Township's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been reserved. The Cemetery Fund has reserved \$20,000 for perpetual care. When the fund balance has been adjusted to account for these reserves, the result is a final fund balance of \$550,265, which consists of a fund balance of \$373,693 in the General Fund, \$140,611 in the Fire Fund and \$35,961 in the Cemetery Fund.

The General Fund is the chief operating fund of Ravenna Township and the other major fund is the Fire Fund. The General Fund fund balance is \$373,693, an increase of \$46,174 from the prior year. As mentioned earlier, property taxes increased due to an increase in taxable value. Investment earnings are up because of increased interest rates. Public works expenses are down because the Township did not have an early summer brining done in 2007. The Fire Fund fund balance is \$140,611, a decrease of \$14,001 from the prior year. The decrease is due to the purchase of a new fire tanker, partially offset by long-term debt proceeds related to the purchase.

General Fund Budget

During the current fiscal year, the Township made only one significant budget amendment. The roads budget was amended from \$30,150 to \$40,150 due to road improvements made on Angermeyer Road.

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

- Intergovernmental revenues – State is \$6,020 under budget because of reductions in state shared revenue from the State of Michigan.
- Investment earnings are \$13,220 over budget because interest rates increased more than anticipated.
- Road expenditures are \$21,140 less than budgeted because the Township did not have brining work done in early summer 2007 this year as originally budgeted.
- Capital outlay expenditures are \$21,196 more than budgeted because of improvements to the Library that were not included in the original budget.

Capital Assets

Ravenna Township's investment in capital assets for its governmental activities as of June 30, 2007 totaled \$1,057,702 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, land improvements and vehicles and equipment.

Ravenna Township's capital asset additions included various library improvements of \$21,451, a fire tanker for \$149,472, major improvements to an existing fire truck for \$9,917, cemetery fence improvements of \$2,650, and a new copy machine for \$4,695. The only capital asset disposal in 2007 was a fully depreciated fire tanker. Depreciation expense for the year was \$49,298.

Capital Assets

	Governmental Activities	
	2007	2006
Land	\$ 42,750	\$ 42,750
Land improvements	14,729	13,484
Buildings and improvements	649,292	646,618
Vehicles and equipment	350,931	215,963
Total	<u>\$ 1,057,702</u>	<u>\$ 918,815</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 2007 fiscal year, Ravenna Township had total outstanding debt of \$408,841 consisting of two installment purchase agreements. The debt is backed by the full-faith and credit of the Township. The payment of this debt service is anticipated through the revenues generated from the Fire Fund millage.

The Township's total debt increased by \$76,401 during the fiscal year. This increase was due to a new installment purchase agreement for the Township's new fire truck offset by normal debt payoffs as provided for in the fiscal year 2007 budget.

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 comprised over 82% of the General Fund's revenue sources. In fiscal 2008, both state revenue sharing and property taxes are expected to remain consistent with fiscal year 2007. The Township has budgeted one new source of revenue as it expects to receive \$6,000 from the Muskegon District Library for occupancy and maintenance of the Township's library building.

The Township expects General Fund expenditures in fiscal year 2008 to remain approximately the same as fiscal year 2007. The Township currently has no plans for significant capital purchases or improvements.

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

September 28, 2007

Township Board
Ravenna Township
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ravenna 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 Ravenna Township's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - vii and 19 - 20 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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Ravenna Township
STATEMENT OF NET ASSETS
June 30, 2007

ASSETS

		Governmental activities
CURRENT ASSETS		
Cash and investments	\$	514,585
Due from other governmental units		35,680
Total current assets		550,265
NONCURRENT ASSETS		
Capital assets, net		
Nondepreciable		42,750
Depreciable		1,014,952
Total noncurrent assets		1,057,702
Total assets		1,607,967
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities		13,000
Long-term liabilities, due within one year		38,000
Total current liabilities		51,000
NONCURRENT LIABILITIES		
Long-term liabilities, less amounts due within one year		370,841
Total liabilities		421,841
NET ASSETS		
Invested in capital assets, net of related debt		648,861
Restricted for:		
Fire protection		140,611
Perpetual care		
Expendable		20,000
Non-expendable		15,961
Unrestricted		360,693
Total net assets	\$	1,186,126

The accompanying notes are an integral part of this statement.

Ravenna Township
STATEMENT OF ACTIVITIES
For the year ended June 30, 2007

<i>Functions/Programs</i>	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u> <u>Governmental activities</u>
Governmental activities			
General government	\$ 149,348	\$ 11,595	\$ (137,753)
Public safety	124,255	8,710	(115,545)
Public works	22,780	-	(22,780)
Community and economic development	1,220	-	(1,220)
Culture and recreation	15,424	-	(15,424)
Interest on long-term debt	13,050	-	(13,050)
Total governmental activities	<u>\$ 326,077</u>	<u>\$ 20,305</u>	(305,772)
General revenues			
Property taxes, levied for			
General purposes			112,539
Specific purposes			139,262
Grants and contributions not restricted to specific programs			110,980
Unrestricted investment earnings			20,915
Miscellaneous			14,340
Total general revenues			<u>398,036</u>
Change in net assets			92,264
Net assets at July 1, 2006			<u>1,093,862</u>
Net assets at June 30, 2007			<u>\$ 1,186,126</u>

The accompanying notes are an integral part of this statement.

Ravenna Township
BALANCE SHEET
 Governmental Funds
 June 30, 2007

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Other governmental fund</u>	<u>Total governmental funds</u>
ASSETS				
Cash and investments	\$ 338,788	\$ 140,611	\$ 35,186	\$ 514,585
Due from other governmental units	35,680	-	-	35,680
Due from other funds	-	-	775	775
Total assets	<u>\$ 374,468</u>	<u>\$ 140,611</u>	<u>\$ 35,961</u>	<u>\$ 551,040</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds	\$ 775	\$ -	\$ -	\$ 775
Fund balances				
Reserved for perpetual care	-	-	20,000	20,000
Unreserved				
General Fund	373,693	-	-	373,693
Special revenue funds	-	140,611	-	140,611
Permanent fund	-	-	15,961	15,961
Total fund balances	<u>373,693</u>	<u>140,611</u>	<u>35,961</u>	<u>550,265</u>
Total liabilities and fund balances	<u>\$ 374,468</u>	<u>\$ 140,611</u>	<u>\$ 35,961</u>	<u>\$ 551,040</u>

The accompanying notes are an integral part of this statement.

Ravenna Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS**
 June 30, 2007

Total fund balance—governmental funds \$ 550,265

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
 are not reported in the governmental funds.

Cost of capital assets	\$ 1,368,391	
Accumulated depreciation	<u>(310,689)</u>	1,057,702

Accrued interest in governmental activities is not reported in the governmental funds. (13,000)

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

Installment purchase agreements	<u>(408,841)</u>
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Net assets of governmental activities in the Statement of Net Assets	<u><u>\$ 1,186,126</u></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, 2007

	General Fund	Fire Fund	Other governmental fund	Total governmental funds
REVENUES				
Property taxes	\$ 112,539	\$ 139,262	\$ -	\$ 251,801
Licenses and permits	8,710	-	-	8,710
Intergovernmental revenues - State	110,980	-	-	110,980
Charges for services	9,295	-	2,300	11,595
Investment earnings	18,220	956	1,739	20,915
Other	11,201	3,140	-	14,341
Total revenues	270,945	143,358	4,039	418,342
EXPENDITURES				
Current				
General government	134,734	-	-	134,734
Public safety	10,471	72,570	-	83,041
Public works	19,010	-	-	19,010
Community and economic development	1,220	-	-	1,220
Culture and recreation	13,419	-	-	13,419
Other governmental functions	12,271	-	35	12,306
Debt service				
Principal	-	24,149	-	24,149
Interest and fees	-	14,301	-	14,301
Capital outlay	28,796	159,389	-	188,185
Total expenditures	219,921	270,409	35	490,365
Excess of revenues over (under) expenditures	51,024	(127,051)	4,004	(72,023)
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	105,550	-	105,550
Transfers in	2,650	7,500	-	10,150
Transfers out	(7,500)	-	(2,650)	(10,150)
Total other financing sources (uses)	(4,850)	113,050	(2,650)	105,550
Net change in fund balances	46,174	(14,001)	1,354	33,527
Fund balances at July 1, 2006	327,519	154,612	34,607	516,738
Fund balances at June 30, 2007	\$ 373,693	\$ 140,611	\$ 35,961	\$ 550,265

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, 2007

Net change in fund balances—total governmental funds \$ 33,527

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

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (49,298)	
Capital outlay	<u>188,185</u>	138,887

Debt proceeds are an other financing source in the governmental funds, but the proceeds increase long-term debt in the Statement of Net Assets.	(105,550)
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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.	24,149
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Interest expense on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in the governmental funds until paid.	<u>1,251</u>
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Change in net assets of governmental activities	<u><u>\$ 92,264</u></u>
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The accompanying notes are an integral part of this statement.

Ravenna Township
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 Fiduciary Funds
 June 30, 2007

	<u>Trust and Agency</u>	<u>Current Tax Account</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 50	\$ 641	\$ 691
LIABILITIES			
Due to other governmental units	\$ -	\$ 641	\$ 641
Other liabilities	50	-	50
Total liabilities	<u>\$ 50</u>	<u>\$ 641</u>	<u>\$ 691</u>

The accompanying notes are an integral part of this statement.

Ravenna Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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 has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

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 Township. 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 support. The Township has no business-type activities.

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 requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, 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 recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Ravenna Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

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 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. 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.

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 Township only has one other governmental fund, the Cemetery Perpetual Care Fund.

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.

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.

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 they are needed.

Ravenna Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity

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 reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity.

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.

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".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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 on each 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. Uncollectible 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 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 2006 state taxable value for real/personal property of the Township totaled approximately \$69,641,000. The ad valorem taxes levied consisted of 1.2021 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—CONTINUED
June 30, 2007

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

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. 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.

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

Property and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	15-20
Buildings and improvements	20-40
Vehicles and equipment	5-20

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Ravenna Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

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. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to June 30, the Township Board reviews a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. The budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board.

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. The Township Board made several supplemental budgetary appropriations throughout the year.

Excess of Expenditures Over Appropriations

During the year ended June 30, 2007, actual expenditures exceeded appropriations for capital outlay in both the General Fund and Fire Fund by \$21,196 and \$18,916, respectively. These overexpenditures were funded with available fund balance.

NOTE C—DEPOSITS AND INVESTMENTS

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.

Ravenna Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
 June 30, 2007

NOTE C—DEPOSITS AND INVESTMENTS—Continued

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, 2007, \$217,390 of the Township's bank balance of \$517,390 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.

NOTE D—CAPITAL ASSETS

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

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	\$ 42,750	\$ -	\$ -	\$ 42,750
Capital assets, being depreciated:				
Land improvements	20,117	2,650	-	22,767
Buildings and improvements	715,449	21,451	-	736,900
Vehicles and equipment	405,890	164,084	4,000	565,974
Total capital assets, being depreciated	1,141,456	188,185	4,000	1,325,641
Less accumulated depreciation:				
Land improvements	6,633	1,405	-	8,038
Buildings and improvements	68,831	18,777	-	87,608
Vehicles and equipment	189,927	29,116	4,000	215,043
Total accumulated depreciation	265,391	49,298	4,000	310,689
Total capital assets, being depreciated, net	876,065	138,887	-	1,014,952
Capital assets, net	<u>\$ 918,815</u>	<u>\$ 138,887</u>	<u>\$ -</u>	<u>\$ 1,057,702</u>

Ravenna Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
 June 30, 2007

NOTE D—CAPITAL ASSETS—Continued

Depreciation

Depreciation expense has been charged to functions as follows:

General government	\$	5,508
Public safety		41,215
Public works		570
Culture and recreation		<u>2,005</u>
	\$	<u><u>49,298</u></u>

NOTE E—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2007 is as follows:

Due to/from other funds:

The General Fund owes the Cemetery Fund \$775 for cemetery funds collected by the General Fund.

Interfund transfers:

The Cemetery Fund transferred \$2,650 to the General Fund for capital improvements made in the Cemetery. The General Fund transferred \$7,500 to the Fire Fund for a future vehicle purchase.

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, 2007.

	Balance July 1, 2006	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2007	<u>Due within one year</u>
Governmental activities:					
Installment purchase agreement	\$ <u>327,440</u>	\$ <u>105,550</u>	\$ <u>24,149</u>	\$ <u>408,841</u>	\$ <u>38,000</u>

Ravenna Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
 June 30, 2007

NOTE F—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

Installment purchase agreements:

\$423,580 2002 Installment Purchase Agreement; due in annual installments of \$38,400 including interest through July 2017; interest at 4.29%	\$ 303,291		
\$105,550 Installment Purchase Agreement; due in annual installments of \$18,301 including interest through may 2014; interest at 5%	<table style="margin-left: auto; margin-right: auto;"> <tr> <td style="border-top: 1px solid black;">105,550</td> </tr> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 408,841</td> </tr> </table>	105,550	\$ 408,841
105,550			
\$ 408,841			

Annual debt service requirements to maturity for debt outstanding as of June 30, 2007, follows:

Year ending December 31,	Governmental activities	
	Principal	Interest
2008	\$ 38,000	\$ 18,565
2009	40,000	16,619
2010	42,000	14,790
2011	44,000	12,878
2012	46,000	10,878
2013-2017	198,841	24,266
	\$ 408,841	\$ 97,996

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.

Ravenna Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
June 30, 2007

NOTE H—PENSION PLANS

Defined Contribution Pension Plan

The Township maintains a defined contribution retirement plan administered by Manulife Financial USA that covers all of its elected officials. The Township contributes 10 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, 2007 was approximately \$4,900.

NOTE I—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 41 percent of General Fund revenues.

REQUIRED SUPPLEMENTARY INFORMATION

Ravenna Township
 Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
 General Fund
 For the year ended June 30, 2007

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Property taxes	\$ 113,000	\$ 113,000	\$ 112,539	\$ (461)
Licenses and permits	10,390	10,390	8,710	(1,680)
Intergovernmental revenues - State	117,000	117,000	110,980	(6,020)
Charges for services	9,500	9,500	9,295	(205)
Investment earnings	5,000	5,000	18,220	13,220
Other	8,100	8,100	11,201	3,101
Total revenues	262,990	262,990	270,945	7,955
EXPENDITURES				
Current				
General government				
Township board	8,970	8,970	8,761	209
Supervisor	9,450	9,450	9,350	100
Elections	5,000	5,000	1,678	3,322
Board of review	750	750	1,167	(417)
Clerk	18,500	18,500	18,805	(305)
Treasurer	19,500	19,500	19,260	240
Assessor	16,000	16,000	15,736	264
Administration	25,850	25,850	25,526	324
Cemetery	18,150	18,150	17,493	657
Building and grounds	15,500	15,500	16,958	(1,458)
Public safety				
Inspection department	14,150	14,150	10,471	3,679
Public works				
Roads	30,150	40,150	19,010	21,140
Community and economic development				
Zoning	1,200	1,200	1,220	(20)
Culture and recreation				
Library and museum	11,500	11,500	10,649	851
Community services	4,150	4,150	2,770	1,380
Other governmental functions				
Insurance	10,000	10,000	9,129	871
Payroll benefits	5,000	5,000	3,142	1,858
Capital outlay	7,600	7,600	28,796	(21,196)
Total expenditures	221,420	231,420	219,921	11,499
Excess of revenues over (under) expenditures	41,570	31,570	51,024	19,454
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,650	2,650
Transfers out	(7,500)	(7,500)	(7,500)	-
Total other financing sources and uses	(7,500)	(7,500)	(4,850)	2,650
Net change in fund balance	\$ 34,070	\$ 24,070	46,174	\$ 22,104
Fund balance at July 1, 2006			327,519	
Fund balance at June 30, 2007			\$ 373,693	

Ravenna 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)
	Original	Final		
REVENUES				
Property taxes	\$ 133,208	\$ 133,208	\$ 139,262	\$ 6,054
Investment earnings	-	-	956	956
Other	304	304	3,140	2,836
Total revenues	133,512	133,512	143,358	9,846
EXPENDITURES				
Current				
Public safety	80,200	80,200	72,570	7,630
Debt service				
Principal	24,149	24,149	24,149	-
Interest and fees	14,251	14,251	14,301	(50)
Capital outlay	1,000	140,473	159,389	(18,916)
Total expenditures	119,600	259,073	270,409	(11,336)
Excess of revenues over (under) expenditures	13,912	(125,561)	(127,051)	(1,490)
OTHER FINANCING SOURCES				
Proceeds from long-term debt	-	100,473	105,550	5,077
Transfers in	7,500	7,500	7,500	-
Total other financing sources and uses	7,500	107,973	113,050	5,077
Net change in fund balance	\$ 21,412	\$ (17,588)	(14,001)	\$ 3,587
Fund balances at July 1, 2006			154,612	
Fund balances at June 30, 2007			\$ 140,611	