

**TOWNSHIP OF CENTERVILLE, MICHIGAN**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED MARCH 31, 2014**

## TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3
<b>BASIC FINANCIAL STATEMENTS</b>	
<hr/>	
<b>Government-wide Financial Statements</b>	
Statement of Net Position	10
Statement of Activities	11
<b>Fund Financial Statements</b>	
<b>Governmental Funds</b>	
Balance Sheet	12
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balance	14
<b>Fiduciary Funds</b>	
Statement of Fiduciary Net Position	15
<b>Notes to the Financial Statements</b>	16
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<hr/>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual General Fund	23

## INDEPENDENT AUDITOR'S REPORT

To the Township Board  
Township of Centerville

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of the Township of Centerville, Michigan, as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material 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.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, and the aggregate remaining fund information of the Township of Centerville, Michigan, as of March 31, 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 information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2014, on our consideration of the Township of Centerville, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Township of Centerville, Michigan's internal control over financial reporting and compliance.



Gabridge & Company, PLC  
Grand Rapids, MI  
September 19, 2014

## Management's Discussion and Analysis

As management of the Township of Centerville, Michigan (The "Township" or "government") we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2014. We encourage readers to consider the information presented here in conjunction with the financial statements.

### Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$372,675 (net position). Of this amount, \$350,173 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the Township's general fund reported fund balance of \$350,173. Approximately 99% of this amount (\$348,934) is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$348,934, or approximately 176% of total general fund expenditures.

### Overview of the Financial Statements

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

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

The *statement of net position* presents financial information on all of the Township's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., accrued interest and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from

other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, streets, and community and economic development. The Township currently reports no business-type activities.

The government-wide financial statements can be found on pages 11 – 12 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

The Township adopts an annual appropriated budget for the general fund. Budgetary comparison schedules for the general fund have been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 13 – 15 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Township has one type of fiduciary fund, an agency fund.

The agency fund reports resources held by the Township in a custodial capacity for individuals, private organizations, and other governments.

The basic fiduciary fund financial statement can be found on page 16 of this report.

**Notes to the Financial Statements.** The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 17 - 23 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Township’s budgetary comparison schedules.

Required supplementary information can be found on page 24 of this report.

**Government-wide Overall Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of a government’s financial position. In the case of the Township, assets exceeded liabilities by \$372,675, at the close of the most recent fiscal year.

**Township of Centerville  
Net Position as of March 31, 2014 and March 31, 2012**

	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2012</b>
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash & Cash Equivalents	\$ 333,225	\$ 170,598
Taxes Receivable	9,803	-
Due from State	13,784	7,842
Prepaid Expenses	1,239	-
<b>Total Current Assets</b>	<b>358,051</b>	<b>178,440</b>
<i>Noncurrent Assets</i>		
Capital Assets - Net	22,502	22,502
<b>Total Assets</b>	<b>380,553</b>	<b>200,942</b>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accrued Payroll & Related Liabilities	7,878	-
<b>Total Liabilities</b>	<b>7,878</b>	<b>-</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	22,502	22,502
Unrestricted	350,173	178,440
<b>Total Net Position</b>	<b>\$ 372,675</b>	<b>\$ 200,942</b>

A portion of the Township's net position (\$22,502, or 6%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The Township uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The overall assets and liabilities reflected no significant changes for the fiscal year ended March 31, 2014 compared to the fiscal year ended March 31, 2012, other than overall net position increase, which caused a corresponding increase in cash.

At the end of the current fiscal year, the Township is able to report positive balances in all reported categories of net position, both for the government as a whole.

The Township's overall net position increased \$53,941 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities.

**Governmental Activities.** During the current fiscal year, net position for governmental activities increased \$53,941 from the prior fiscal year for an ending balance of \$372,675. The increase in the overall net position of governmental activities in comparison is comparable to the increase in net position for the fiscal year ended March 31, 2012 as there were no significant changes in the operations of the Township.



**Township of Centerville**  
**Change in Net Position for Fiscal Year Ended March 31, 2014 and March 31, 2012**

	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2012</b>
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for Services	\$ 5,175	\$ 89,629
Operating Grants & Contributions	-	-
<b><i>Total Program Revenues</i></b>	<b>5,175</b>	<b>89,629</b>
<b>General Revenues</b>		
Property Taxes & Assessments	146,162	119,308
State Revenue Sharing	97,864	21,203
Interest Income	737	-
Operating Revenues	2,212	1,923
<b><i>Total General Revenues</i></b>	<b>246,975</b>	<b>142,434</b>
<b>Total Revenues</b>	<b>252,150</b>	<b>232,063</b>
<b>Expenses</b>		
Legislative	16,181	16,576
General Government	86,242	63,508
Public Safety	93,105	60,395
Public Works	1,081	31,278
Recreation & Culture	1,600	1,824
Other	-	13,964
<b>Total Expenses</b>	<b>198,209</b>	<b>187,545</b>
Increase/(Decrease) in Net Position	53,941	44,518
Beginning Net Position	318,734	156,424
<b>Ending Net Position</b>	<b>\$ 372,675</b>	<b>\$ 200,942</b>

**Financial Analysis of Governmental Funds**

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

**Governmental Funds.** The focus of the Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet

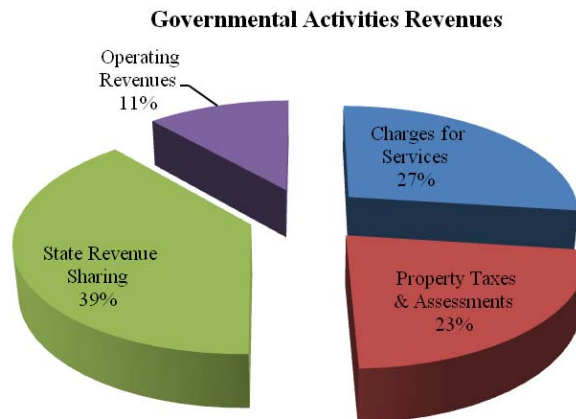
been limited to use for a particular purpose by either an external party, the Township itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Township's Council.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$348,934, while total fund balance increased to \$350,173. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 176 percent of total general fund expenditures, while total fund balance represents approximately 176 percent of that same amount.

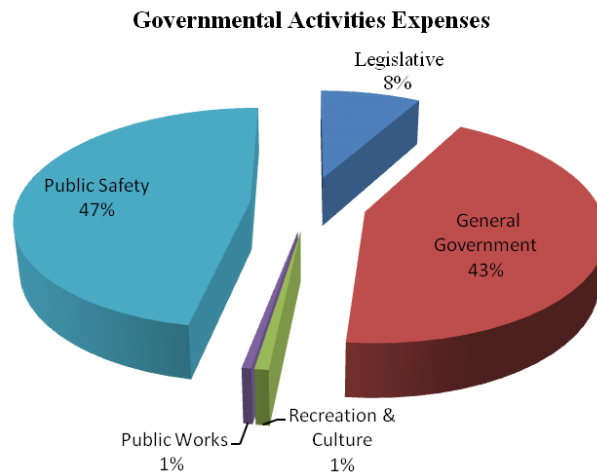
The fund balance of the Township's general fund increased by \$53,941 during the current fiscal year. The increase in fund balance is comparable to the increase in fund balance from prior years activities.

### **Governmental Activities**

The following chart summarizes the revenue sources for the governmental activities of the Township for the most recent fiscal year end.



The following chart summarizes the expenses for the governmental activities of the Township or the most recent fiscal year end.



### **General Fund Budgetary Highlights**

*Original budget compared to final budget.* During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations.

*Final budget compared to actual results.* During the current fiscal year the township did not incur any significant budget variances.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

The Township's investment in capital assets for its governmental activities as of March 31, 2014 amounted to \$22,502 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, and equipment. There was no change in capital assets for the current fiscal year.

#### ***Debt Administration***

The Township remained debt free during the year.

### **Economic Condition and Outlook**

Management estimates roughly \$244,000 of revenues to be available for appropriation in the general fund in the upcoming fiscal year. Expenditures are expected to change by small amounts compared to 2014. The Township continues to review all budget line items for opportunities to reduce expenditures when possible. The budget will be monitored during the year to identify any necessary amendments. In 2014, the Township plans again to use current revenues to provide essential services and to maintain the Township's financial reserves at similar levels. The

ongoing costs of providing essential services for the citizens of the Township will again need to be monitored in order to maintain the financial condition of the Township.

### **Contacting the Township**

This financial report is designed to provide a general overview of the Township's finances to its citizens, customers, investors, and creditors and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Township of Centerville  
5874 S. French Road  
Cedar, MI 49621

## **BASIC FINANCIAL STATEMENTS**

**Township of Centerville  
Statement of Net Position  
March 31, 2014**

	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
<i>Current Assets</i>	
Cash & Cash Equivalents	\$ 333,225
Taxes Receivable	9,803
Due from State	13,784
Prepaid Expenses	1,239
<b>Total Current Assets</b>	<u>358,051</u>
<i>Noncurrent Assets</i>	
Capital Assets not being Depreciated	22,502
<b>Total Assets</b>	<u>380,553</u>
<b>LIABILITIES</b>	
<i>Current Liabilities</i>	
Accrued Payroll & Related Liabilities	7,878
<b>Total Liabilities</b>	<u>7,878</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	22,502
<i>Unrestricted</i>	350,173
<b>Total Net Position</b>	<u><b>\$ 372,675</b></u>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Centerville  
Statement of Activities  
For the Year Ended March 31, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
<b>Primary Government Governmental Activities:</b>					
Legislative	\$ 16,181	\$ --	\$ --	\$ --	\$ (16,181)
General Government	86,242	5,175	--	--	(81,067)
Public Safety	93,105	--	--	--	(93,105)
Public Works	1,081	--	--	--	(1,081)
Recreation & Culture	1,600	--	--	--	(1,600)
<b><i>Total Primary Government</i></b>	<b><u>\$ 198,209</u></b>	<b><u>\$ 5,175</u></b>	<b><u>\$ --</u></b>	<b><u>\$ --</u></b>	<b><u>\$ (193,034)</u></b>

**General Purpose Revenues and Transfers:**

**Revenues**

Taxes	146,162
State Revenue Sharing	97,864
Other Revenue	2,212
Interest Income	737

**Transfers**

<b><i>Total General Revenues and Transfers</i></b>	<b><u>246,975</u></b>
<b><i>Change in Net Position</i></b>	<b><u>53,941</u></b>
<i>Net Position at Beginning of Period</i>	318,734
<b><i>Net Position at End of Period</i></b>	<b><u>\$ 372,675</u></b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Centerville  
Balance Sheet  
Governmental Funds  
March 31, 2014**

	<b>General</b>
<b>ASSETS</b>	
Cash & Cash Equivalents	\$ 333,225
Taxes Receivable	9,803
Due from State	13,784
Prepaid Expenditures	1,239
<i>Total Assets</i>	<b>\$ 358,051</b>
<b>LIABILITIES</b>	
Accrued Payroll & Related Liabilities	\$ 7,878
<i>Total Liabilities</i>	<b>7,878</b>
<b>FUND BALANCE</b>	
Nonspendable	1,239
Unassigned	348,934
<i>Total Fund Balance</i>	<b>350,173</b>
<i>Total Liabilities and Fund Balance</i>	<b>\$ 358,051</b>

The Notes to the Financial Statements are an integral part of these Financial Statements



**Township of Centerville**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net**  
**Position**  
**March 31, 2014**

Total Fund Balance - Governmental Funds	\$ 350,173
General government capital assets of \$92,520, net of accumulated depreciation of \$70,018, are not financial resources and accordingly are not reported in the funds	22,502
<b>Total Net Position-Governmental Funds</b>	<b>\$ <u>372,675</u></b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Centerville**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended March 31, 2014**

	<b>General</b>
<b>Revenues</b>	
Taxes	\$ 146,162
State Revenue Sharing	97,864
Charges for Services	1,760
Licenses & Permits	3,415
Other Revenue	2,212
Interest Income	737
<b><i>Total Revenues</i></b>	<b>252,150</b>
<b>Expenditures</b>	
Legislative	16,181
General Government	86,242
Public Safety	93,105
Public Works	1,081
Recreation & Culture	1,600
<b><i>Total Expenditures</i></b>	<b>198,209</b>
<b><i>Excess of Revenues Over</i></b>	
<b><i>(Under) Expenditures</i></b>	<b>53,941</b>
<b><i>Net Change in Fund Balance</i></b>	<b>53,941</b>
<i>Fund Balance at Beginning of Period</i>	296,232
<b><i>Fund Balance at End of Period</i></b>	<b>\$ 350,173</b>

The Notes to the Financial Statements are an integral part of these Financial Statements

**Township of Centerville  
Statement of Fiduciary Net Position  
Fiduciary Funds  
March 31, 2014**

	<u>Agency</u>
	<u>Tax Collection</u>
<b>ASSETS</b>	
Cash & Cash Equivalents	\$ 38,009
<i>Total Assets</i>	38,009
<b>LIABILITIES</b>	
Due to Other Agencies	38,009
<i>Total Liabilities</i>	38,009
<b>NET POSITION</b>	
Held in Trust	\$ --

The Notes to the Financial Statements are an integral part of these Financial Statements

## **NOTES TO THE FINANCIAL STATEMENTS**

# Township of Centerville

## Notes to the Financial Statements

---

### Note 1 – Summary of Significant Accounting Policies

The Township of Centerville is governed by an elected five-member Board. The financial statements of the Township of Centerville (the “Township” or “government”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental 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

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 61, "*The Financial Reporting Entity*," these financial statements present the Township. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. There are no other units that should be included in the financial statements.

#### 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 primary government. For the most part, the effect of interfund activity has been removed from these statements. *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 statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide 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 proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus.

## Township of Centerville

### Notes to the 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.

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 or within one year for expenditure-driven grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Property taxes, sales 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 Township.

The Township of Centerville 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.

In addition the Township reports the following fiduciary fund type:

The *agency fund* accounts for the collection and disbursements of taxes and other monies due to other units of government and individuals.

#### ***Budgetary and Budgetary Accounting***

Budgets presented in the financial statements were prepared on the same basis as the accounting basis used to reflect actual results. The general fund and special revenue funds are subject to legal budgetary accounting controls and all are budgeted annually. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1.
2. A public hearing is conducted to obtain taxpayer comments.

## Township of Centerville

### Notes to the Financial Statements

---

3. Prior to the first day of the following fiscal year, the budget is legally enacted through passage of a resolution.
4. The legal level of budgetary control is at the activity level.
5. Budget appropriations lapse at year-end.
6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621, which was followed for the year ended March 31, 2014. Expenditures may not exceed appropriations. Any amendment to the original budget must meet the requirements of Public Act 621.

### **Assets, Liabilities, and Fund Equity**

#### *Cash and Cash Equivalents*

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

State statutes and Township policy authorize the Township to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- In United States government or federal agency obligation repurchase agreements.
- Bankers' acceptances of United States banks.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through February, 1997.

## Township of Centerville

### Notes to the Financial Statements

---

#### ***Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as “due to/from other funds” (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectable.

#### ***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., water system and similar items), are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of two years and an initial individual cost of more than \$5,000. 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 asset lives are not capitalized.

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

<u>Decription</u>	<u>Method</u>	<u>Life</u>
Buildings & Improvements	Straight Line	30-50 Years
Machinery & Equipment	Straight Line	10-25 Years
Office Furniture & Equipment	Straight Line	3 - 15 Years

#### ***Net Position Flow Assumption***

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

It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.



## Township of Centerville

### Notes to the Financial Statements

---

#### ***Fund Balance Flow Assumptions***

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

#### ***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. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

*Unassigned fund balance* is the residual classification for the Township's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Township Board.

## Township of Centerville

### Notes to the Financial Statements

---

#### ***Property Tax Revenue Recognition***

The Township property tax is levied on December 1<sup>st</sup> on the taxable valuation of property located in the Township as of the preceding December 31<sup>st</sup>. The billings are due on or before February 14<sup>th</sup>, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. It is the Township's policy to recognize revenues in the current year when they are levied and made available for the financing of Township operations. The Township considers property taxes levied on December 1<sup>st</sup> to be revenues of the current period. During the fiscal year the taxable value of the Township was \$91,606,449.

#### ***Use of Estimates***

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

#### **Note 2 – Excess of Expenditures Over Budget**

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2014, the Township incurred did not have any budget exceptions.

#### **Note 3 – Cash and Investments**

Following is a reconciliation of deposit balances as of March 31, 2014:

	<u>Governmental Activities</u>	<u>Trust &amp; Agency</u>	<u>Total Primary Government</u>
Cash & Investments	\$ 333,225	\$ 38,009	\$ 371,234

***Custodial Credit Risk - Deposits.*** Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year-end the Township's bank balance of \$371,234 was not exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Township believes it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

## Township of Centerville

### Notes to the Financial Statements

**Credit Risk.** State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Township's investment policy does not have specific limits in excess of state law on investment credit risk.

**Interest Rate Risk.** Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

#### Note 4 – Capital Assets

Capital asset activity for governmental activities for the year ended March 31, 2014 was as follows:

##### Governmental Activities

	Balance at 3/31/2013	Additions	Disposals	Balance at 3/31/2014
Capital Assets not Being Depreciated				
Land	\$ 22,502	\$ -	\$ -	\$ 22,502
Total Capital Assets not Being Depreciated	22,502	-	-	22,502
Capital Assets Being Depreciated:				
Buildings & Improvements	44,430	-	-	44,430
Machinery & Equipment	8,670	-	-	8,670
Office Furniture & Equipment	16,918	-	-	16,918
Total Capital Assets Being Depreciated	70,018	-	-	70,018
Less Accumulated Depreciation:				
Buildings & Improvements	44,430	-	-	44,430
Machinery & Equipment	8,670	-	-	8,670
Office Furniture & Equipment	16,918	-	-	16,918
Total Accumulated Depreciation	70,018	-	-	70,018
Net Capital Assets - Governmental	\$ 22,502	\$ -	\$ -	\$ 22,502

No depreciation expense was allocated to governmental functions as the Township's depreciable capital assets remain fully depreciated.

## **Township of Centerville**

### Notes to the Financial Statements

---

#### **Note 5 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability, property and casualty, and workers' compensation are managed through purchased commercial insurance.

#### **Note 6 – Joint Venture**

The Township of Solon and the Township of Centerville participate jointly in the operations of the Solon-Centerville Fire Department. There are a total of 10 members on the Board, 5 from each township. The funds required are allocated among the participating municipalities according to a formula approved by the board of directors. The Township of Centerville's appropriation to the Solon-Centerville Fire Department for this fiscal year ended March 31, 2014 was \$93,105.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Township of Centerville**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**General Fund**  
**For the Year Ended March 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Positive (Negative) Final to Actual</b>
<b>Revenues</b>				
Taxes	\$ 144,000	\$ 144,000	\$ 146,162	\$ 2,162
Administrative Fees	3,400	3,400	1,760	(1,640)
Licenses & Permits	1,500	1,500	3,415	1,915
State Revenue Sharing	93,500	93,500	97,864	4,364
Other Revenue	1,200	1,200	2,212	1,012
Interest Income	500	500	737	237
<b>Total Revenues</b>	<u>244,100</u>	<u>244,100</u>	<u>252,150</u>	<u>8,050</u>
<b>Expenditures</b>				
<b>General Government</b>				
Township Board	27,900	27,900	14,657	13,243
Supervisor	20,764	20,764	19,003	1,761
Elections	3,700	3,700	701	2,999
Assessor	16,900	16,900	15,121	1,779
Clerk	15,890	15,890	14,647	1,243
Board of Review	1,900	1,900	1,521	379
Treasurer	22,477	22,477	19,388	3,089
Township Hall	3,500	3,500	2,745	755
Planning and Zoning	20,950	20,950	14,640	6,310
<b>Total General Government</b>	<u>133,981</u>	<u>133,981</u>	<u>102,423</u>	<u>31,558</u>
<b>Public Safety</b>	<u>93,200</u>	<u>93,200</u>	<u>93,105</u>	<u>95</u>
<b>Public Works</b>	<u>1,500</u>	<u>1,500</u>	<u>1,081</u>	<u>419</u>
<b>Recreation &amp; Culture</b>	<u>3,000</u>	<u>3,000</u>	<u>1,600</u>	<u>1,400</u>
<b>Total Expenditures</b>	<u>231,681</u>	<u>231,681</u>	<u>198,209</u>	<u>33,472</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>				
<b>Net Change in Fund Balance</b>	<u>12,419</u>	<u>12,419</u>	<u>53,941</u>	<u>41,522</u>
<i>Fund Balance at Beginning of Period</i>	296,232	296,232	296,232	--
<b>Fund Balance at End of Period</b>	<u>\$ 308,651</u>	<u>\$ 308,651</u>	<u>\$ 350,173</u>	<u>\$ 41,522</u>

September 19, 2014

To the Township Board  
Township of Centerville

We have audited the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of the Township of Centerville (the "Township") for the year ended March 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 19, 2014. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year 2014. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the current year capital asset depreciation expense is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the current year capital asset depreciation expense in determining that the depreciation expense, and ending net book value of the underlying assets, are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- Accounts receivable and unearned revenue were adjusted by \$23,587 to reconcile current year revenues in the general fund.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 19, 2014.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



Other Matters

We applied certain limited procedures to management's discussion and analysis and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

Very truly yours,

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the company.

Gabridge & Company, PLC  
Grand Rapids, MI

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Township Board  
Township of Centerville  
Centerville, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of the Township of Centerville, Michigan (the "Township"), as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements and have issued our report thereon dated September 19, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the company.

Gabridge & Company, PLC  
Grand Rapids, Michigan  
September 19, 2014