

**IRA TOWNSHIP**  
St. Clair County, Michigan  
**AUDITED FINANCIAL STATEMENTS**  
For The Year Ended June 30, 2014

# IRA TOWNSHIP

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**IRA TOWNSHIP**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

**Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

**The Township as a Whole**

The Township's combined net position increased by 1.3% from a year ago from \$11,041,000 to \$11,186,000. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced a decrease of approximately \$20,000 during the year, a 0.8% decrease. The business-type activities experienced a \$165,000 increase in net position. In a condensed format, the table below shows a comparison of the net position (in thousands of dollars) as of the current date to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Current Assets	\$ 1,252	\$ 1,199	\$ 1,738	\$ 1,922	\$ 2,990	\$ 3,121
Noncurrent Assets	1,518	1,495	13,802	12,967	15,320	14,462
Total Assets	2,770	2,694	15,540	14,889	18,310	17,583
Long-Term Debt Outstanding	84	63	6,536	5,720	6,620	5,783
Other Liabilities	210	175	439	439	649	614
Total Liabilities	294	238	6,975	6,159	7,269	6,397
Net Position						
Invested in Capital Assets - Net of Debt	1,518	1,495	6,967	6,946	8,485	8,441
Restricted	236	281	--	--	236	281
Unrestricted	722	680	1,598	1,784	2,320	2,464
Total Net Position	\$ 2,476	\$ 2,456	\$ 8,565	\$ 8,730	\$ 11,041	\$ 11,186

Unrestricted net position, the part of net position that can be used to finance day-to-day operations, decreased by \$42,000 for the governmental activities. This represents a decrease of approximately 5.8%. The current level of unrestricted net position for our governmental activities stands at \$680,000, or about 49% of expenditures. This is within the targeted range set during the last budget process.

**IRA TOWNSHIP**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

The following table shows the changes of the net position (in thousands of dollars) as of the current date to the prior year:

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Program Revenues						
Charges for Services	\$ 167	\$ 213	\$ 2,776	\$ 2,363	\$ 2,943	\$ 2,576
Operating Grants and Contributions	25	21	--	--	25	21
Capital Grants and Contributions	8	5	--	--	8	5
General Revenues						
Property Taxes	486	499	--	--	486	499
State-Shared Revenues	394	397	--	--	394	397
Police Millage	82	84	--	--	82	84
Gain/Loss on Sale of Assets	--	--	3	--	3	--
Unrestricted Investment Earnings	--	2	--	1	--	3
Rents and Franchise Fees	139	117	--	--	139	117
Insurance Recoveries	13	--	--	--	13	--
Other	22	28	--	1	22	29
Transfers	(25)	--	25	--	--	--
Total Revenues	<u>1,311</u>	<u>1,366</u>	<u>2,804</u>	<u>2,365</u>	<u>4,115</u>	<u>3,731</u>
Program Expenses						
General Government	500	497	--	--	500	497
Public Safety	733	691	--	--	733	691
Public Works	169	129	--	--	169	129
Planning and Economic Development	15	24	--	--	15	24
Parks and Recreation	28	29	--	--	28	29
Library	12	11	--	--	12	11
Debt Service	5	4	--	--	5	4
Other	1	1	--	--	1	1
Water and Sewer	--	--	2,208	2,200	2,208	2,200
Total Expenses	<u>1,463</u>	<u>1,386</u>	<u>2,208</u>	<u>2,200</u>	<u>3,671</u>	<u>3,586</u>
Change in Net Position	<u>\$ (152)</u>	<u>\$ (20)</u>	<u>\$ 596</u>	<u>\$ 165</u>	<u>\$ 444</u>	<u>\$ 145</u>

**IRA TOWNSHIP**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

The Township's net position continues to remain healthy. Total net position increased by \$145,000. This was primarily because of increases in charges for services and decreases in expenditures.

**Governmental Activities**

The Township's total governmental revenues increased by approximately \$55,000 primarily due to the increase in charges for services and property taxes. Expenses of the governmental activities decreased by \$77,000 over those of the previous year.

**Business-Type Activities**

The Township's business-type activities consist of the Water and Sewer Fund. We provide water to approximately 85% of the Township's residents, and sewage treatment to approximately 75% of the Township's residents.

**The Township's Funds**

Our analysis of the Township's major funds begins on page 6, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Entity as a whole. The Township creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The major funds include the General Fund and the Fire Operational Fund.

The governmental services are paid for by the General Fund and the Fire Fund. The most significant are general government, public works, and public safety, which incurred expenses of approximately \$1,317,000 which decreased \$85,000 from the prior year.

**General Fund Budgetary Highlights**

Over the course of the year, we amended the budget to take into account events occurring during the year. The total budgeted expenditures for the General Fund were increased during the year. The General Fund total expenditures at year end were \$189,000 under budget, and the revenues were over the budget by \$8,000. The General Fund's fund balance decreased by \$17,000 from a year ago.

**Capital Asset and Debt Administration**

As of the balance sheet date, there was \$14,439,000 (net of depreciation) invested in a broad range of capital assets, including buildings, fire equipment, and water and sewer lines. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements.

**Economic Factors and Next Year's Budgets and Rates**

The Township continues to make great strides in watching its budget. Providing increased services will impact expenses and outpace revenue; therefore, the Township must continue to closely monitor the budget in the following year.

**IRA TOWNSHIP**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2014**

**Contacting Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Supervisor's office.



## INDEPENDENT AUDITOR'S REPORT

November 20, 2014

Township Board  
Ira Township  
7085 Meldrum Road  
Fair Haven, Michigan 48023

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of IRA TOWNSHIP, as of and for the year ended June 30, 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. 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 business-type activities, each major fund, and the aggregate remaining fund information of Ira Township, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and Fire Fund 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 on pages i-iv 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ira Township's basic financial statements. The combining and individual nonmajor fund financial statements, proprietary budgetary comparison, and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, proprietary budgetary comparison, and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Respectfully submitted,



MCBRIDE - MANLEY & COMPANY P.C.  
Certified Public Accountants



**IRA TOWNSHIP**
**Statement of Net Position**
**June 30, 2014**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 157,654	\$ 68,249	\$ 225,903
Investments	842,469	621,130	1,463,599
Restricted cash	--	563,091	563,091
Accounts and assessment receivable	167,685	325,819	493,504
Due from other units of government	21,709	30,520	52,229
Prepaid and other assets	9,381	7,331	16,712
Restricted receivables and deposits - expendable	--	306,102	306,102
<b>Total Current Assets</b>	<b>1,198,898</b>	<b>1,922,242</b>	<b>3,121,140</b>
<i>Noncurrent Assets</i>			
Capital assets, net of accumulated depreciation	1,495,340	4,078,734	5,574,074
Capitalized lease, net of amortization	--	8,865,011	8,865,011
Bond refunding cost, net of amortization	--	23,530	23,530
<b>Total Assets</b>	<b>2,694,238</b>	<b>14,889,517</b>	<b>17,583,755</b>
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts payable	63,402	106,327	169,729
Accrued wages and benefits	67,523	36,236	103,759
Unearned revenue	22,394	--	22,394
Accrued interest	1,155	19,133	20,288
Bonds and loans payable, current portion	21,000	215,000	236,000
Capital leases payable, current portion	--	61,923	61,923
<b>Total Current Liabilities</b>	<b>175,474</b>	<b>438,619</b>	<b>614,093</b>
<i>Noncurrent Liabilities</i>			
Bonds and loans payable, net of current portion	63,000	3,353,794	3,416,794
Capital leases payable, net of current portion	--	2,366,539	2,366,539
<b>Total Liabilities</b>	<b>238,474</b>	<b>6,158,952</b>	<b>6,397,426</b>
<b>NET POSITION</b>			
Investment in capital assets, net of related debt	1,495,340	6,946,489	8,441,829
<i>Restricted for:</i>			
Prepaid expenses	9,381	--	9,381
Debt service	1,291	--	1,291
Public safety	269,698	--	269,698
<i>Unrestricted</i>	680,054	1,784,076	2,464,130
<b>Total Net Position</b>	<b>\$ 2,455,764</b>	<b>\$ 8,730,565</b>	<b>\$ 11,186,329</b>

**IRA TOWNSHIP**
**Statement of Activities**
**For the Year Ended June 30, 2014**

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 497,124	\$ 126,161	\$ --	\$ --
Public safety	690,621	70,452	--	4,988
Public works	128,625	--	--	--
Planning and economic development	24,543	16,022	--	--
Parks and recreation	28,996	89	21,323	--
Supplies and services	594	--	--	--
Debt - interest	4,028	--	--	--
Library	10,963	--	--	--
Total Governmental Activities	1,385,494	212,724	21,323	4,988
Business-type Activities:				
Water / Sewer Fund	2,200,219	2,362,797	--	--
Total Business-type Activities	2,200,219	2,362,797	--	--
Total Primary Government	\$ 3,585,713	\$ 2,575,521	\$ 21,323	\$ 4,988

**General Purpose Revenues and Transfers:**
**Revenues**

Property taxes

Distributions from State

Miscellaneous revenue

Interest revenue

Income on restricted assets

Police millage

Rents and franchise fees

**Total General Revenues and Transfers**
**Change in Net Position**
*Net Position at Beginning of Period*
**Net Position at End of Period**

Net (Expense) Revenue		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (370,963)	\$ --	\$ (370,963)
(615,181)	--	(615,181)
(128,625)	--	(128,625)
(8,521)	--	(8,521)
(7,584)	--	(7,584)
(594)	--	(594)
(4,028)	--	(4,028)
(10,963)	--	(10,963)
(1,146,459)	--	(1,146,459)
--	162,578	162,578
--	162,578	162,578
\$ (1,146,459)	\$ 162,578	\$ (983,881)
499,274	--	499,274
396,939	--	396,939
23,642	--	23,642
1,606	1,116	2,722
4,074	1,309	5,383
84,423	--	84,423
116,909	--	116,909
1,126,867	2,425	1,129,292
(19,592)	165,003	145,411
2,475,356	8,565,562	11,040,918
\$ 2,455,764	\$ 8,730,565	\$ 11,186,329

**IRA TOWNSHIP**
**Balance Sheet  
Governmental Funds  
June 30, 2014**

		Special Revenue		
	General	Fire Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 101,147	\$ 24,408	\$ 32,099	\$ 157,654
Investments	523,785	318,684	--	842,469
Accounts and assessment receivable	104,110	8,928	53,734	166,772
Due from other units of government	21,709	--	--	21,709
Prepaid and other assets	7,241	2,140	--	9,381
<b>Total Assets</b>	<b>\$ 757,992</b>	<b>\$ 354,160</b>	<b>\$ 85,833</b>	<b>\$ 1,197,985</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 48,573	\$ 14,529	\$ 300	\$ 63,402
Accrued wages and benefits	10,760	37,070	--	47,830
Unearned revenue	--	22,394	--	22,394
<b>Total Liabilities</b>	<b>59,333</b>	<b>73,993</b>	<b>300</b>	<b>133,626</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Aggregated deferred inflows	3,434	7,037	52,915	63,386
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>62,767</b>	<b>81,030</b>	<b>53,215</b>	<b>197,012</b>
<b>FUND BALANCE</b>				
Nonspendable	7,241	2,140	--	9,381
Restricted	--	270,990	32,618	303,608
Unassigned	687,984	--	--	687,984
<b>Total Fund Balance</b>	<b>695,225</b>	<b>273,130</b>	<b>32,618</b>	<b>1,000,973</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 757,992</b>	<b>\$ 354,160</b>	<b>\$ 85,833</b>	<b>\$ 1,197,985</b>

**IRA TOWNSHIP**

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**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2014**

Total Fund Balance - Governmental Funds	\$	1,000,973
Compensated absences expensed as paid in governmental fund statements, expensed as incurred in entity-wide statements, and reflected as liability on Statement of Net Position		(19,693)
Accrued interest payable reflected on Statement of Net Position, not on governmental balance sheets		(1,155)
Fixed assets are capitalized in the Statement of Net Position and depreciated in the Statement of Activities. These are expensed when acquired in the Statement of Revenues, Expenditures, and Changes in Fund Balance		1,495,340
Revenue is unearned in governmental fund statements if not received within sixty days		63,386
Long-term debt reflected on Statement of Net Position not on governmental funds balance sheet		(84,000)
Accrued interest receivable not received within revenue recognition period for governmental statements, recognized in Statement of Net Position and Statement of Activities		913
<b>Total Net Position-Governmental Funds</b>	<b>\$</b>	<b>2,455,764</b>

**IRA TOWNSHIP**
**Statement of Revenues, Expenditures, and Changes in Fund Balance**
**Governmental Funds**
**For the Year Ended June 30, 2014**

		Special Revenue		
	General	Fire Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 118,799	\$ 380,303	\$ --	\$ 499,102
Police millage	84,423	--	--	84,423
Distributions from State	396,939	--	--	396,939
Distributions from other units of government	43,100	--	--	43,100
Licenses, permits, fines, and fees	142,272	--	--	142,272
Miscellaneous revenue	22,818	2,565	--	25,383
Rents and franchise fees	116,909	--	--	116,909
County grants	--	4,988	--	4,988
Fire revenues	--	49,849	--	49,849
Special assessments	--	--	5,309	5,309
Insurance recoveries	--	20,283	--	20,283
Interest revenue	1,119	487	--	1,606
Income on restricted assets	--	--	4,307	4,307
<b>Total Revenues</b>	<b>926,379</b>	<b>458,475</b>	<b>9,616</b>	<b>1,394,470</b>
<b>Expenditures</b>				
<i>Current</i>				
General government	448,011	--	--	448,011
Public safety	232,320	377,046	--	609,366
Public works	128,625	--	--	128,625
Planning and economic development	24,543	--	--	24,543
Parks and recreation	16,224	--	--	16,224
Library	9,337	--	--	9,337
Supplies and services	--	--	594	594
<i>Capital Outlay</i>				
Equipment and improvements	84,682	31,858	--	116,540
<i>Debt Service</i>				
Debt - interest	--	--	4,317	4,317
Debt - principal	--	--	21,000	21,000
<b>Total Expenditures</b>	<b>943,742</b>	<b>408,904</b>	<b>25,911</b>	<b>1,378,557</b>
<b>Net Change in Fund Balance</b>	<b>(17,363)</b>	<b>49,571</b>	<b>(16,295)</b>	<b>15,913</b>
<i>Fund Balance at Beginning of Period</i>	<i>712,588</i>	<i>223,559</i>	<i>48,913</i>	<i>985,060</i>
<b>Fund Balance at End of Period</b>	<b>\$ 695,225</b>	<b>\$ 273,130</b>	<b>\$ 32,618</b>	<b>\$ 1,000,973</b>

**IRA TOWNSHIP**

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**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and  
Changes in Fund Balance with Statement of Activities  
For the Year Ended June 30, 2014**

Total Net Change in Fund Balances - Governmental Funds	\$	15,913
Compensated absences expensed as paid in governmental fund statements, expensed as incurred in entity-wide statements, and reflected as liability on Statement of Net Position		(5,899)
Accrued interest payable reflected on Statement of Net Position, not on governmental balance sheets		289
Fixed assets are capitalized in the Statement of Net Position and depreciated in the Statement of Activities. These are expensed when acquired in the Statement of Revenues, Expenditures, and Changes in Fund Balance		116,540
Depreciation expense reflected in entity-wide statements, not reflected in governmental fund statements		(138,867)
Revenue is unearned in governmental fund statements if not received within sixty days		(28,335)
Long-term debt reflected on Statement of Net Position not on governmental funds balance sheet		21,000
Accrued interest receivable not received within revenue recognition period for governmental statements, recognized in Statement of Net Position and Statement of Activities		(233)
<b>Changes in Net Position-Governmental Funds</b>	<b>\$</b>	<b>(19,592)</b>

**IRA TOWNSHIP****Statement of Net Position****Proprietary Funds****June 30, 2014**

	<b>Business-type Activities - Enterprise Funds</b>
	<b>Water / Sewer Fund</b>
<b>ASSETS</b>	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 68,249
Investments	621,130
Restricted cash	563,091
Accounts and assessment receivable	325,819
Due from other units of government	30,520
Prepaid and other assets	7,331
Restricted receivables and deposits - expendable	306,102
<b>Total Current Assets</b>	<b>1,922,242</b>
<i>Noncurrent Assets</i>	
Capital assets, net of accumulated depreciation	4,078,734
Capitalized lease, net of amortization	8,865,011
Bond refunding cost, net of amortization	23,530
<b>Total Assets</b>	<b>14,889,517</b>
<b>LIABILITIES</b>	
<i>Current Liabilities</i>	
Accounts payable	106,327
Accrued wages and benefits	36,236
Accrued interest	19,133
Bonds and loans payable, current portion	215,000
Capital leases payable, current portion	61,923
<b>Total Current Liabilities</b>	<b>438,619</b>
<i>Noncurrent Liabilities</i>	
Bonds and loans payable, net of current portion	3,353,794
Capital leases payable, net of current portion	2,366,539
<b>Total Liabilities</b>	<b>6,158,952</b>
<b>NET POSITION</b>	
Investment in capital assets, net of related debt	6,946,489
<i>Unrestricted</i>	1,784,076
<b>Total Net Position</b>	<b>\$ 8,730,565</b>



**IRA TOWNSHIP****Statement of Revenues, Expenses, and Changes in Net Position****Proprietary Funds****For the Year Ended June 30, 2014**

	<b>Business-type Activities - Enterprise Funds</b>
	<b>Water / Sewer Fund</b>
<b>Operating Revenues</b>	
Miscellaneous revenue	\$ 63,006
User charges	1,111,858
Maintenance charge	5,535
Tap fees	27,159
Water hauling revenue	11,348
Penalties	30,740
<b>Total Operating Revenues</b>	<b>1,249,646</b>
<b>Operating Expenses</b>	
Water operations	1,319,205
Sewer operations	700,663
<b>Total Operating Expenses</b>	<b>2,019,868</b>
<b>Operating Income (Loss)</b>	<b>(770,222)</b>
<b>Non-Operating Revenues (Expenses)</b>	
Debt service revenue	1,113,151
Interest revenue	1,116
Income on restricted assets	1,309
Interest expense	(180,351)
<b>Net Non-Operating Revenues (Expenses)</b>	<b>935,225</b>
<b>Change In Net Position</b>	<b>165,003</b>
<i>Net Position at Beginning of Period</i>	<i>8,565,562</i>
<b>Net Position at End of Period</b>	<b>\$ 8,730,565</b>

**IRA TOWNSHIP****Statement of Cash Flows****Proprietary Funds****For the Year Ended June 30, 2014**

	<b>Water / Sewer Fund</b>
<b><i>Cash Flows From Operating Activities:</i></b>	
Receipts from customers	\$ 1,275,652
Payments to suppliers	(531,883)
Payments to employees	(400,847)
Other receipts	68,541
<b><i>Net Cash Provided By (Used In) Operating Activities</i></b>	<b><u>411,463</u></b>
<b><i>Cash Flows From Capital and Related Financing Activities:</i></b>	
Acquisition of capital assets	(261,969)
Amortization of bond refunding costs	4,719
Principal paid on bonds and leases	(796,923)
Principal paid on loan	(13,158)
Interest and agent fees paid on revenue bonds	(181,695)
Debt service revenue	1,113,151
<b><i>Net Cash Provided By (Used In) Capital and Related Financing Activities</i></b>	<b><u>(135,875)</u></b>
<b><i>Cash Flows From Investing Activities:</i></b>	
Interest on investments	2,418
<b><i>Net Cash Provided By (Used In) Investing Activities</i></b>	<b><u>2,418</u></b>
<b><i>Net Increase (Decrease) In Cash and Cash Equivalents</i></b>	<b><u>278,006</u></b>
Cash and Cash Equivalents at July 1, 2013	974,464
<b><i>Cash and Cash Equivalents at June 30, 2014</i></b>	<b><u>\$ 1,252,470</u></b>
<b><i>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:</i></b>	
Operating income (loss)	\$ (770,222)
<b><i>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</i></b>	
Depreciation	1,092,544
<b><i>Change in assets and liabilities:</i></b>	
Accounts receivable	94,547
Prepaid insurance	(992)
Accounts payable	2,112
Accrued expenses	(6,526)
<b><i>Net Cash Provided By (Used In) Operating Activities</i></b>	<b><u>\$ 411,463</u></b>

**IRA TOWNSHIP****Statement of Fiduciary Net Position****Fiduciary Funds****June 30, 2014**

	<u>Agency</u>	
	<u>Trust and Agency</u>	<u>Tax Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 30,508	\$ 4,802
Accounts and assessment receivable	606	--
Delinquent property taxes receivable	108,074	--
<b>Total Assets</b>	<u>139,188</u>	<u>4,802</u>
<b>LIABILITIES</b>		
Accounts payable	1,721	--
Accrued wages and benefits	24,775	--
Due to other units and taxpayers	110,916	--
Due to other funds - current	1,776	4,802
<b>Total Liabilities</b>	<u>139,188</u>	<u>4,802</u>
<b>NET POSITION</b>		
Held in Trust	<u>\$ --</u>	<u>\$ --</u>

**IRA TOWNSHIP**
**Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual  
General Fund  
For the Year Ended June 30, 2014**

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Property taxes	\$ 121,200	\$ 121,200	\$ 118,799	\$ (2,401)
Police millage	86,000	86,000	84,423	(1,577)
Distributions from State	390,000	390,000	396,939	6,939
Distributions from other governments	21,778	21,778	43,100	21,322
Licenses, fines, permits, and fees	115,871	146,751	142,272	(4,479)
Miscellaneous revenues	11,300	23,375	22,818	(557)
Rents and franchise fees	127,000	128,170	116,909	(11,261)
Interest revenue	150	1,050	1,119	69
<b>Total Revenues</b>	<b>873,299</b>	<b>918,324</b>	<b>926,379</b>	<b>8,055</b>
<b>Expenditures</b>				
Legislative	25,450	25,460	25,320	140
Public works	5,535	5,535	5,535	--
Drains	90,000	86,560	40,032	46,528
Roads	100,000	110,000	69,087	40,913
Streetlights	14,500	14,500	13,559	941
Private roads	700	700	412	288
General government	208,400	235,893	225,690	10,203
Clerk	53,460	51,660	45,750	5,910
Treasurer	51,153	50,068	44,894	5,174
Assessing and board of review	44,080	48,612	40,075	8,537
Elections	7,735	7,735	3,801	3,934
Supervisor	57,366	55,366	46,267	9,099
Township office	39,560	19,570	16,214	3,356
Police	130,660	144,160	136,231	7,929
Inspections	88,625	106,575	96,089	10,486
Parks and recreation	103,910	118,660	95,839	22,821
Library	20,900	22,195	14,404	7,791
Planning	15,715	25,625	22,243	3,382
Zoning board of appeals	3,120	3,920	2,300	1,620
<b>Total Expenditures</b>	<b>1,060,869</b>	<b>1,132,794</b>	<b>943,742</b>	<b>189,052</b>
<b>Net Change in Fund Balance</b>	<b>(187,570)</b>	<b>(214,470)</b>	<b>(17,363)</b>	<b>197,107</b>
<i>Fund Balance at Beginning of Period</i>	<i>712,588</i>	<i>712,588</i>	<i>712,588</i>	<i>--</i>
<b>Fund Balance at End of Period</b>	<b>\$ 525,018</b>	<b>\$ 498,118</b>	<b>\$ 695,225</b>	<b>\$ 197,107</b>

**IRA TOWNSHIP****Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual****Fire Fund****For the Year Ended June 30, 2014**

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Property taxes	\$ 388,000	\$ 388,000	\$ 380,303	\$ (7,697)
Miscellaneous revenues	5,500	8,030	2,565	(5,465)
Interest revenue	100	400	487	87
County grant	--	370	4,988	4,618
Fire revenues	47,500	49,500	49,849	349
Insurance recoveries	--	19,984	20,283	299
<b>Total Revenues</b>	<b>441,100</b>	<b>466,284</b>	<b>458,475</b>	<b>(7,809)</b>
<b>Expenditures</b>				
Capital outlay	29,270	48,600	31,858	16,742
Fire operations	79,430	86,310	79,031	7,279
Wages	287,203	286,203	244,577	41,626
Utilities	9,200	15,265	13,562	1,703
Vehicle maintenance	16,700	29,854	29,610	244
Workers' compensation	21,000	10,305	10,266	39
<b>Total Expenditures</b>	<b>442,803</b>	<b>476,537</b>	<b>408,904</b>	<b>67,633</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>(1,703)</b>	<b>(10,253)</b>	<b>49,571</b>	<b>59,824</b>
<b>Net Change in Fund Balance</b>	<b>(1,703)</b>	<b>(10,253)</b>	<b>49,571</b>	<b>59,824</b>
<i>Fund Balance at Beginning of Period</i>	<i>223,559</i>	<i>223,559</i>	<i>223,559</i>	<i>--</i>
<b>Fund Balance at End of Period</b>	<b>\$ 221,856</b>	<b>\$ 213,306</b>	<b>\$ 273,130</b>	<b>\$ 59,824</b>

## **IRA TOWNSHIP**

### **Notes to Financial Statements For the Year Ended June 30, 2014**

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#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### *DESCRIPTION OF ENTITY AND ITS OPERATIONS*

Ira Township covers an area of 18 square miles. The Township operates under an elected Supervisor, Clerk, Treasurer, and Board of two trustees and provides services to its residents, approximately 7,000, in many areas including fire and police protection.

##### *REPORTING ENTITY*

The financial reporting entity consists solely of Ira Township. The financial reporting entity consists of (a) the primary government; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria for determining the inclusion of a related entity are the makeup of its governing body, legal status, degree of fiscal independence, the primary entity's ability to appoint a voting majority of its governing body, or to impose its will, and the potential for benefit or burden. Certain other organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units. A legally separate, tax-exempt organization would be reported as a component unit of the reporting entity if all of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Using this criteria, it has been determined that Ira Township has no component units.

##### *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 and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 revenue.

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

## IRA TOWNSHIP

### Notes to Financial Statements For the Year Ended June 30, 2014

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#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### *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. Revenue is 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 revenue 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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 sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes and other revenues are recognized in the accounting period when they become measurable and available to finance operations. Properties are assessed and levied as of December 31, and become a lien on December 1 of the following year. All real property taxes levied December 31, 2013, have been received and recognized as revenue at June 30, 2014.

The 2013 taxable valuation of the local governmental unit totaled \$171,249,054, on which ad valorem taxes levied consisted of 0.69720 mills for general operating purposes, 1.49500 mills for fire operations, 0.74750 mills for fire debt, and 0.49830 for police protection. These amounts are recognized in the respective General and Special Revenue Fund financial statements as taxes receivable or tax revenues.

The government reports the following major governmental funds:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, protective services, and other intergovernmental revenues.

Fire Operational Fund - This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

The government reports the following major proprietary funds:

Enterprise Fund - The Water Supply and Sewer Disposal System Fund reports operations that provide services which are financed by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control, or other purposes.

Additionally, the government reports the following fund types:

Debt service, trust and agency, and tax funds.

## **IRA TOWNSHIP**

### **Notes to Financial Statements For the Year Ended June 30, 2014**

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#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for functions of the government when eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. Residual balances between the business-type activities and the governmental activities are reported as "internal balances."

Amounts reported as program revenue 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 revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

#### **ASSETS, LIABILITIES, AND EQUITY**

##### **DEPOSITS AND INVESTMENTS**

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

##### **RECEIVABLES AND PAYABLES**

In general, outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of allowance for uncollectible amounts totaling \$5,144.

##### **INVENTORY AND PREPAID ITEMS**

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

##### **CAPITAL ASSETS**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.



## IRA TOWNSHIP

### Notes to Financial Statements For the Year Ended June 30, 2014

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#### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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

<u>Asset Type</u>	<u>Life</u>
Vehicles	5-10 years
Equipment	3-40 years
Buildings and improvements	10-40 years
Water and sewer lines	15-40 years

#### **CAPITALIZED INTEREST**

The Township capitalizes interest during the construction phase of proprietary fund assets if financed by revenue bonds. Interest is not capitalized for assets constructed with general obligation debt. There was no interest capitalized for the period.

#### **COMPENSATED ABSENCES**

The Township employs eleven employees entitled to compensated absences. These employees are entitled to six sick days per calendar year. Non-union employees are paid for one-half of accumulated days upon resignation of employment, subject to a maximum accumulation of 60 days. Union employees are paid 75% of their accumulated days, also subject to a maximum accumulation of 60 days.

All vacation and vested sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### **LONG-TERM OBLIGATIONS**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

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 position.

## IRA TOWNSHIP

### Notes to Financial Statements For the Year Ended June 30, 2014

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

##### UNEARNED/UNAVAILABLE REVENUE

Governmental funds report deferred inflow of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also recognize unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred inflows are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes	\$ 9,326	\$ --
Miscellaneous services	1,145	22,394
Special assessments	52,915	--
	<u>\$ 63,386</u>	<u>\$ 22,394</u>

##### DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues as listed above. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

##### FUND EQUITY

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Commitments of fund balance represent amounts committed by the government's highest level of decision-making authority and require Township Board resolution.

Assignments represent tentative management plans that are subject to change. Management's authority to create these assignments are established by the Township Board.

It is the policy of the Township to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. Committed or assigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

## IRA TOWNSHIP

### Notes to Financial Statements For the Year Ended June 30, 2014

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#### **NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

##### *EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS*

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets, as amended, of the Township for these budgetary funds were adopted at the departmental level and are shown in the body of the financial statements. Budget amendments require approval from a majority of the Township Board. Actual expenditures did not exceed those budgeted.

##### *CONSTRUCTION CODE FEES*

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity is as follows:

Permit revenue	\$ 50,069
Direct costs	(51,749)
Indirect costs	<u>(44,341)</u>
Current year shortfall	<u>\$ (46,021)</u>

#### **NOTE 3: CASH AND INVESTMENTS**

##### *DEPOSITS*

Deposits are carried at cost. Deposits are at Michigan banks in the name of Ira Township. Governing statutes allow the Township to make various investments with public monies including, but not limited to, the following:

1. Direct bonds and obligations of the U.S., its agencies or instrumentalities
2. Certificates of deposit, savings accounts with banks, savings and loan associations, or credit unions which are insured with the applicable federal agency and located in the State of Michigan
3. Commercial paper - rated within two highest rate classifications by at least two rating services and matures not later than 270 days
4. U.S. or agency repurchase agreements
5. Mutual funds - investments which local unit can make directly
6. Bankers' acceptances of U.S. banks
7. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Public funds may not be deposited in financial institutions located in states other than Michigan.

## IRA TOWNSHIP

### Notes to Financial Statements For the Year Ended June 30, 2014

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#### **NOTE 3: CASH AND INVESTMENTS (Continued)**

The deposits and investments of the Township are in compliance with statutory authority.

Mutual fund investments are limited to those under SEC Rule 2a7 or 2a7-like investment pools. These are carried at amortized cost for financial reporting purposes.

Deposits and investments are recorded at cost. The carrying amounts are included on the balance sheet as "Cash and cash equivalents," "Investments," and "Restricted cash".

Deposits and investments are reflected on the individual fund balance sheet as follows:

Total governmental funds	\$ 1,000,123
Total proprietary funds	1,252,470
Total fiduciary funds	35,310
Less cash held in agency	(6,578)
Total Deposits	<u>\$ 2,281,325</u>

#### **INTEREST RATE RISK**

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Township's investment policy limits its mutual and similar pooled investment funds to those under SEC Rule 2a7 or 2a7-like investment pools. In addition, Michigan statutes limit its investments in non-U.S. Government securities to commercial paper with maturities of no longer than 270 days. The Township's policy limits investments to those with a maturity of less than one year.

#### **CREDIT RISK**

The Township's policy and state statutes limit the Township's investments to those described above. At year end, the bank balance and carrying amount of the government's deposits with financial institutions totaled \$2,293,931 and \$2,280,575, respectively, of which \$500,000 was insured by the FDIC, and the remainder is uninsured and uncollateralized. The investment policy limits certificates of deposit in excess of FDIC insurance limits to those whose issuing institution has an investment grade rating. The policy contains no restrictions on cash deposits, other than the Michigan statute limitation to deposits with Michigan chartered institutions.

#### **CUSTODIAL CREDIT RISK**

The Township's policy does not address custodial risk; however, the Township's investments are all held by it and in its name.

#### **NOTE 4: RESTRICTED ASSETS**

Restricted Water and Sewer Fund cash includes amounts on deposit with the St. Clair County Department of Public Works Sewage Disposal System No. 1 in the amount of \$61,039, and monies restricted by Township ordinance in the amount of \$502,052. Additional assets restricted by Township ordinance consist of user receivables of \$26,796, capital charges receivable of \$6,923, and unbilled receivables of \$272,383. These amounts are restricted for debt retirement and future construction costs.

**IRA TOWNSHIP****Notes to Financial Statements  
For the Year Ended June 30, 2014****NOTE 5: CAPITAL ASSETS***Governmental Activities Fixed Assets:*

A summary of changes in governmental fixed assets follows:

	Balance at 6/30/2013	Additions	Disposals	Balance at 6/30/2014
Office equipment	\$ 228,735	\$ --	\$ --	\$ 228,735
Equipment	35,097	--	--	35,097
Fire hall improvements	65,561	18,016	--	83,577
Fire training house	16,340	--	--	16,340
Land and improvements	240,278	--	--	240,278
Buildings and improvements	984,240	--	--	984,240
Fire equipment	1,879,759	13,842	(34,451)	1,859,150
Fire rescue equipment	91,757	--	--	91,757
D.P.W. equipment	6,156	--	--	6,156
Library	58,568	5,067	--	63,635
Parks and recreation	402,569	79,615	--	482,184
L.I.D. project	362,217	--	--	362,217
	<u>4,371,277</u>	<u>116,540</u>	<u>(34,451)</u>	<u>4,453,366</u>
Less: Accumulated depreciation	<u>(2,853,610)</u>	<u>(138,867)</u>	<u>34,451</u>	<u>(2,958,026)</u>
	<u>\$ 1,517,667</u>	<u>\$ (22,327)</u>	<u>\$ --</u>	<u>\$ 1,495,340</u>

The above amounts include land with a cost of \$195,086 not subject to depreciation.

Governmental activity depreciation, included on the Statement of Activities, was allocated as follows:

Parks and recreation	\$ 12,772
Public safety	76,364
Library	1,626
General Government	48,105
Total	<u>\$ 138,867</u>

**IRA TOWNSHIP****Notes to Financial Statements  
For the Year Ended June 30, 2014****NOTE 5: CAPITAL ASSETS (Continued)***Business-Type Activities Fixed Assets:*

A summary of changes in business-type fixed assets follows:

	Balance at 6/30/2013	Additions	Disposals	Balance at 6/30/2014
Water and Sewer Fund:				
Buildings	\$ 1,726,556	\$ 128,159	\$ --	\$ 1,854,715
Equipment	489,015	6,353	--	495,368
Vehicles	139,981	29,334	--	169,315
Pipe lines and plant	13,628,376	115,807	--	13,744,183
	15,983,928	279,653	--	16,263,581
Less: Accumulated depreciation	(11,665,185)	(519,662)	--	(12,184,847)
	<u>\$ 4,318,743</u>	<u>\$ (240,009)</u>	<u>\$ --</u>	<u>\$ 4,078,734</u>
Capitalized Lease Fixed Assets:				
Land	\$ 236,228	\$ --	\$ --	\$ 236,228
Water plant and water mains	13,603,778	--	--	13,603,778
Sewer disposal system	1,857,003	--	--	1,857,003
	15,697,009	--	--	15,697,009
Less: Accumulated depreciation	(6,259,116)	(572,882)	--	(6,831,998)
	<u>\$ 9,437,893</u>	<u>\$ (572,882)</u>	<u>\$ --</u>	<u>\$ 8,865,011</u>
Construction in Progress	<u>\$ 17,684</u>	<u>\$ --</u>	<u>\$ (17,684)</u>	<u>\$ --</u>

The above amounts include land with a cost of \$387,247 not subject to depreciation.

Depreciation for the year amounted to \$285,272 in the Sewer Department, and \$807,272 in the Water Department.

Amortization for the year amounted to \$4,719.

## IRA TOWNSHIP

### Notes to Financial Statements For the Year Ended June 30, 2014

#### NOTE 6: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The amounts of interfund receivables and payables are as follows:

	Interfund <u>Receivables</u>		Interfund <u>Payables</u>
		Tax Fund	\$ 4,802
		Trust and Agency Fund	1,776
General Fund (treated as cash)	<u>\$ 6,578</u>		<u>\$ 6,578</u>

Interfund receivables and payables are eliminated in the entity-wide presentations, within the governmental and business-type fund groups.

Transfers between funds are eliminated in the entity-wide Statement of Activities other than those between business-type activities and governmental activities, if any. There were no interfund transfers during the year.

#### NOTE 7: LEASE OBLIGATIONS

The Township has entered into contracts under the provisions of Act 185, Public Acts of Michigan, 1957, as amended, with St. Clair County, Michigan, for the lease of a water treatment plant. The terms of these leases extend until the county bonds issued for the construction of the water treatment plant are paid in full. The Township has pledged its full faith and credit to repay the bond issues with an unlimited tax general obligation approved by the vote of the Township residents. The contracts require semi-annual interest payments due the first of July and January and principal payments due the first of July of each year.

The Township also has contracts with St. Clair County for the lease of a wastewater treatment plant. The terms of these leases match those of the related bonds and bear the full faith and credit of the Township. Interest payments are due April and October and principal payments are due in April of each year for one issue. For another, interest payments are due March and September and principal payments are due in March of each year.

Ira Township entered into an agreement with Clay Township and the City of Algonac for the St. Clair County Department of Public Works to construct a joint sewer collector system. Ira Township issued \$2,800,000 worth of revenue bonds in payment of the Township's portion of the collector system. The full faith and credit of the Township and St. Clair County are pledged to the payment of these bonds pursuant to Act 185, Public Acts of Michigan, 1957, as amended. The Township operates and maintains the collector system which is being leased from the County. Ownership of the collector system will revert to the Township upon final payment of the bond issue. On the date the system was operable, the bonds payable and the related fixed asset were recorded at \$2,800,000. This fixed asset is being depreciated on a straight-line basis over 40 years. In 2003, an additional \$1,050,000 of bonds was issued for an upgrade and major repairs to the system.

In 2012, refunding bonds were issued to refinance the St. Clair County Sewage Disposal System No. 1, Series 2003, bonds. The agreement was entered into with Clay Township and the City of Algonac. The Township's share of these bonds amounted to \$732,308.

**IRA TOWNSHIP****Notes to Financial Statements  
For the Year Ended June 30, 2014****NOTE 7: LEASE OBLIGATIONS (Continued)**

Minimum lease payments are as follows:

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>
Water Department	\$ 354,477	\$ 874,388	\$ 728,723	\$ 731,742
Sewer Department	<u>73,985</u>	<u>75,748</u>	<u>74,778</u>	<u>73,810</u>
Total Minimum Lease Payments	<u>\$ 428,462</u>	<u>\$ 950,136</u>	<u>\$ 803,501</u>	<u>\$ 805,552</u>
	<u>6/30/2019</u>	<u>6/30/2020-24</u>	<u>6/30/2025-27</u>	<u>Total</u>
Water Department	\$ 723,704	\$ 1,411,807	\$ 846,714	\$ 5,671,555
Sewer Department	<u>75,371</u>	<u>303,248</u>	<u>-</u>	<u>676,940</u>
Total Minimum Lease Payments	<u>\$ 799,075</u>	<u>\$ 1,715,055</u>	<u>\$ 846,714</u>	<u>\$ 6,348,495</u>

The Water and Sewer Fund's lease obligations can be financed by a combination of user charges and an unlimited tax general obligation approved by the vote of the Township residents, however, no tax obligation exists at this time. If, at any time, the revenue of the Water and Sewer Fund is insufficient to meet the current obligation, the liability becomes a general obligation of the Township.

**NOTE 8: LONG-TERM DEBT**

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Certain contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received.

The Township completed a major water main construction in 2013. Part of the financing of that project was provided by St. Clair County in the amount of \$400,000. The collection of all lateral line connection fees within the first four years of access to the water line are to be used to repay the obligation. Any amounts that remain unpaid to the County following this period are to be repaid to the County over a period of ten years bearing no interest. As of the balance sheet date, \$13,158 has been repaid to the County from amounts collected for lateral connection fees.



**IRA TOWNSHIP****Notes to Financial Statements  
For the Year Ended June 30, 2014****NOTE 8: LONG-TERM DEBT (Continued)****CHANGES IN INDEBTEDNESS**

	Accrued Vacation/ Sick Pay	Bonds and Notes Payable	Amortizable Bond Premium	Total Long-Term Obligations
Balance at beginning of year	\$ 13,794	\$ 6,912,337	\$ 28,249	\$ 6,954,380
Amortization of bond refunding	--	--	(4,719)	(4,719)
Retirement of debt	--	(831,081)	--	(831,081)
Increase (decrease) in accrued vacation/sick pay	5,899	--	--	5,899
Balance at end of year	<u>\$ 19,693</u>	<u>\$ 6,081,256</u>	<u>\$ 23,530</u>	<u>\$ 6,124,479</u>
Total Water and Sewer Fund Leases, Bonded Indebtedness and Agreements				\$ 5,997,256
Total Governmental Indebtedness				103,693
Unamortized Bond Premium				23,530
				<u>\$ 6,124,479</u>

The special assessment bonds are to be retired from collection of special assessments.

**SUMMARY OF INDEBTEDNESS**

	Number of Issues	Interest Rate	Maturing Through	Principal Outstanding	Current Portion
General Obligations:					
Special Assessment Bonds - Series 2011	1	4.125%	2018	\$ 84,000	\$ 21,000
Capitalized Leases - Water Department	2	2.125 - 4.125	2027	5,001,952	215,000
Capitalized Leases - Sewer Department	2	1.500 - 2.625	2023	608,462	61,923
Intergovernmental Agreement - Water Dept	N/A	N/A	N/A	386,842	--
Accrued vacation/sick pay	N/A	N/A	N/A	19,693	--
Total General Obligations				<u>\$ 6,100,949</u>	<u>\$ 297,923</u>

Complete details of the Township's outstanding indebtedness are presented on pages 33-35.

**IRA TOWNSHIP****Notes to Financial Statements  
For the Year Ended June 30, 2014****NOTE 8: LONG-TERM DEBT (Continued)****SUMMARY OF PRINCIPAL AND INTEREST REQUIREMENTS**

	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>
Special Assessment Bonds	\$ 24,465	\$ 23,599	\$ 22,732	\$ 21,866
Capitalized Leases	<u>428,462</u>	<u>950,136</u>	<u>803,501</u>	<u>805,552</u>
Total Principal and Interest Obligations	<u>\$ 452,927</u>	<u>\$ 973,735</u>	<u>\$ 826,233</u>	<u>\$ 827,418</u>
	<u>6/30/2019</u>	<u>6/30/2020-24</u>	<u>6/30/2025-27</u>	<u>Total</u>
Special Assessment Bonds	\$ --	\$ --	\$ --	\$ 92,662
Capitalized Leases	<u>799,075</u>	<u>1,715,055</u>	<u>846,714</u>	<u>6,348,495</u>
Total Principal and Interest Obligations	<u>\$ 799,075</u>	<u>\$ 1,715,055</u>	<u>\$ 846,714</u>	<u>\$ 6,441,157</u>

Total interest expense and agent fees for the Township for the year totaled \$184,668.

**PERMITTED DEBT**

Michigan Compiled Law limits indebtedness incurred by townships to 10% of the assessed value of the Township. For the fiscal year, the assessed value of Ira Township was \$186,222,098; therefore, the legal debt margin is \$18,622,210.

**NOTE 9: 401(a) PLAN**

The Township adopted a retirement plan known as the Ira Township 401(a) Plan. The plan is a defined contribution plan with an employee deferral option. The Township Board is the administrator and has the authority to establish and amend the plan. This plan covers all employees in the selected cohesive group. The contributions to the plan are at the discretion of the Board and there were no contributions for the year.

**NOTE 10: FUND BALANCE/RESTRICTIONS, COMMITMENTS, AND ASSIGNMENTS**

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
Fund:				
General Fund				
Prepaid expenses	\$ 7,241	\$ --	\$ --	\$ --
Fire Fund				
Prepaid expenses	2,140	--	--	--
Public safety	--	270,990	--	--
Long Island Dredging				
Special Assessment bonds	--	32,618	--	--
Total Governmental Funds	<u>\$ 9,381</u>	<u>\$ 303,608</u>	<u>\$ --</u>	<u>\$ --</u>

## **IRA TOWNSHIP**

### **Notes to Financial Statements For the Year Ended June 30, 2014**

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#### **NOTE 11: DEFERRED COMPENSATION PLAN**

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries. It is the opinion of the Township that the Township has no liability for losses under the plan, but does have the duty of care that would be required of an ordinary prudent investor.

#### **NOTE 12: RISK FINANCING**

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent third parties. Settled claims from these risks have not exceeded insurance coverage for the past three years.

#### **NOTE 13: ECONOMIC DEPENDENCY**

Approximately 34% of the water and sewer revenues are obtained from one customer within the Township. The customer is a manufactured housing community consisting of approximately 1,200 sites.

#### **NOTE 14: CONTRACTUAL AGREEMENTS**

The Township has entered into a three year agreement with Clay Township. The Clay Township Police Department will provide police protection to the Township residents for the purpose of enforcement of all State and local criminal, civil and traffic ordinances within the Township. The term of this agreement shall be from August 1, 2013 to August 1, 2016.

The Township has a one year agreement through June 30, 2015, with Tri-Hospital EMS for a substation located at the Township DPW building. The agreement provides building space, utilities, administrative costs, and maintenance.

The Township has entered into agreements with Casco and Cottrellville Townships for fire protection, emergency medical, and rescue services. The agreement with Casco Township is for a two year period ending June 30, 2015, and covers agreed upon sections of the Township. The agreement with Cottrellville Township is a five year period ending December 31, 2015, and covers agreed upon sections of the Township.

#### **NOTE 15: FISCAL YEAR 2012 ESSENTIAL SERVICES**

Michigan Public Act 86 of 2014 requires a municipality to disclose the percentage of general operating millage used to fund essential services for the fiscal year ended June 30, 2012. Essential services are defined as police, fire, ambulatory, and jail services. The Township collects fire millages which are not included in this calculation, as the millage collected and the related expenditures are accounted for in a separate fund. For the fiscal year ended June 30, 2012, the Township had \$115,979 in general operating millage revenue and an additional \$82,895 in police millage revenue. The essential service expenditures amounted to \$136,610. Therefore, the percentage of general operating millage used to fund essential services for the fiscal year 2012 was 46.31%.

## **SUPPLEMENTAL INFORMATION**

**IRA TOWNSHIP****Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014**

	<u>Debt Service</u>	
	<u>Long Island Dredging</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 32,099	\$ 32,099
Accounts and assessment receivable	53,734	53,734
<b><i>Total Assets</i></b>	<b><u>\$ 85,833</u></b>	<b><u>\$ 85,833</u></b>
<b>LIABILITIES</b>		
Accounts payable	\$ 300	\$ 300
<b><i>Total Liabilities</i></b>	<b><u>300</u></b>	<b><u>300</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Aggregated deferred inflows	52,915	52,915
<b><i>Total Liabilities and Deferred Inflows of Resources</i></b>	<b><u>53,215</u></b>	<b><u>53,215</u></b>
<b>FUND BALANCE</b>		
Restricted	32,618	32,618
<b><i>Total Fund Balance</i></b>	<b><u>32,618</u></b>	<b><u>32,618</u></b>
<b><i>Total Liabilities, Deferred Inflows of Resources and Fund Balance</i></b>	<b><u>\$ 85,833</u></b>	<b><u>\$ 85,833</u></b>

**IRA TOWNSHIP****Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2014**

	<u>Debt Service</u>	
	<u>Long Island Dredging</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>		
Special assessments	\$ 5,309	\$ 5,309
Income on restricted assets	4,307	4,307
<b>Total Revenues</b>	<u>9,616</u>	<u>9,616</u>
<b>Expenditures</b>		
<i>Current</i>		
Other	594	594
<i>Debt Service</i>		
Debt - interest	4,317	4,317
Debt - principal	21,000	21,000
<b>Total Expenditures</b>	<u>25,911</u>	<u>25,911</u>
<b>Net Change in Fund Balance</b>	<u>(16,295)</u>	<u>(16,295)</u>
<i>Fund Balance at Beginning of Period</i>	<u>48,913</u>	<u>48,913</u>
<b>Fund Balance at End of Period</b>	<u>\$ 32,618</u>	<u>\$ 32,618</u>

**IRA TOWNSHIP**
**Statement of Revenues, Expenses, and Changes in Net Position-Budget and Actual**
**Water / Sewer Fund**
**For the Year Ended June 30, 2014**

	<b>Budgeted Amounts</b>			<b>Variance Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Miscellaneous revenues	\$ 123,240	\$ 159,440	\$ 68,541	\$ (90,899)
User charges	1,095,000	1,095,000	1,111,858	16,858
Water plant reimbursement	30,000	30,000	27,576	(2,424)
Tap fees	43,700	46,400	27,159	(19,241)
Water hauling	20,000	20,000	11,348	(8,652)
Interest and penalties	30,900	31,000	31,856	856
Debt service revenue	1,020,000	1,020,000	1,113,151	93,151
Income on restricted assets	300	1,245	1,309	64
<b>Total Revenues</b>	<b>2,363,140</b>	<b>2,403,085</b>	<b>2,392,798</b>	<b>(10,287)</b>
<b>Expenses</b>				
Insurance and other	46,200	41,184	40,334	850
Supplies and services	157,500	140,750	105,741	35,009
Capital outlay	139,250	181,230	--	181,230
Debt principal	797,000	797,000	--	797,000
Wages	396,650	412,100	394,321	17,779
Depreciation and amortization	--	--	1,092,544	(1,092,544)
Employee benefits	153,350	132,860	100,959	31,901
Utilities	71,800	75,800	76,509	(709)
Plant operation	150,000	215,167	209,460	5,707
Water plant discharge	30,000	30,000	27,576	2,424
Interest expense	176,916	176,985	180,351	(3,366)
<b>Total Expenses</b>	<b>2,118,666</b>	<b>2,203,076</b>	<b>2,227,795</b>	<b>(24,719)</b>
<b>Net Change in Net Position</b>	<b>244,474</b>	<b>200,009</b>	<b>165,003</b>	<b>(35,006)</b>
<i>Net Position at Beginning of Period</i>	<i>8,565,562</i>	<i>8,565,562</i>	<i>8,565,562</i>	<i>--</i>
<b>Net Position at End of Period</b>	<b>\$ 8,810,036</b>	<b>\$ 8,765,571</b>	<b>\$ 8,730,565</b>	<b>\$ (35,006)</b>

**IRA TOWNSHIP**  
**Schedule of Indebtedness**  
**June 30, 2014**

***Long Island Dredging - Series 2011 General Obligation Special Assessment Bonds:***

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
12-01-11	\$ 146,000	4.125 %	2015	\$ 21,000	\$ 3,465	\$ 24,465
			2016	21,000	2,599	23,599
			2017	21,000	1,732	22,732
			2018	21,000	866	21,866
<b>Total 2011 General Obligation Bonds</b>				<b>84,000</b>	<b>\$ 8,662</b>	<b>\$ 92,662</b>
<b>Total General Obligation Bonds</b>				<b>84,000</b>		

Principal due March 1

Interest due March 1 and September 1

***Water Plant Lease Contract With St. Clair County - Series 2003A:***

Date of Issue	Lease Amount	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
5-28-03	\$ 4,520,000	3.700 %	2015	\$ -	\$ 63,880	\$ 63,880
		3.800	2016	330,000	51,340	381,340
		3.900	2017	410,000	35,350	445,350
		4.000	2018	430,000	18,150	448,150
		4.125	2019	440,000	-	440,000
<b>Total 2003A Lease Contract</b>				<b>1,610,000</b>	<b>\$ 168,720</b>	<b>\$ 1,778,720</b>

Principal due July 1

Interest due January 1 and July 1



**IRA TOWNSHIP**  
**Schedule of Indebtedness**  
**June 30, 2014**

**St. Clair County Sewage Disposal System No. 1 Ira Township Bonds - Series 2012:**

Date of Issue	Lease Amount	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
2-28-12	\$ 732,308	1.500 %	2015	\$ 61,923	\$ 12,062	\$ 73,985
		1.500	2016	64,615	11,133	75,748
		1.500	2017	64,615	10,163	74,778
		1.750	2018	64,616	9,194	73,810
		2.000	2019	67,308	8,063	75,371
		2.000	2020	67,308	6,717	74,025
		2.250	2021	70,000	5,371	75,371
		2.500	2022	72,692	3,796	76,488
		2.625	2023	75,385	1,979	77,364
<b>Total 2012 Lease Contract</b>				<b>608,462</b>	<b>\$ 68,478</b>	<b>\$ 676,940</b>

Principal due April 1

Interest due October 1 and April 1

**Water Plant Lease Contract With St. Clair County - Series 2003B:**

Date of Issue	Lease Amount	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
5-28-03	\$ 2,045,000	3.700 %	2015	\$ -	\$ 7,980	\$ 7,980
		3.800	2016	210,000	-	210,000
<b>Total 2003B Lease Contract</b>				<b>210,000</b>	<b>\$ 7,980</b>	<b>\$ 217,980</b>

Principal due July 1

Interest due January 1 and July 1

**IRA TOWNSHIP**  
**Schedule of Indebtedness**  
**June 30, 2014**

**St. Clair County DWRF Bonds - 2006 Project #7170-01**

Date of Issue	Lease Amount	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
9-21-06	\$ 4,900,000	2.125 %	2015	\$ 215,000	\$ 67,617	\$ 282,617
			2016	220,000	63,048	283,048
			2017	225,000	58,373	283,373
			2018	230,000	53,592	283,592
			2019	235,000	48,704	283,704
			2020	240,000	43,710	283,710
			2021	240,000	38,610	278,610
			2022	250,000	33,510	283,510
			2023	255,000	28,198	283,198
			2024	260,000	22,779	282,779
			2025	265,000	17,254	282,254
			2026	270,000	11,623	281,623
			2027	276,952	5,885	282,837
<b>Total 2006 DWRF Bonds</b>				<b>3,181,952</b>	<b>\$ 492,903</b>	<b>\$ 3,674,855</b>
<b>Total Lease Contracts</b>				<b>5,610,414</b>		

Principal due April 1

Interest due April 1 and October 1

**St. Clair County Intergovernmental Agreement - Marine City Highway Water Main Extension**

Date of Issue	Amount of Issue	Interest Rate	Payable In Fiscal Year Ending June 30	Principal	Interest	Total
8-3-11	\$ 50,000	N/A %	See Note 8	\$ 36,842	\$ -	\$ 36,842
9-22-12	200,000	N/A		200,000	-	200,000
10-15-12	150,000	N/A		150,000	-	150,000
<b>Total Intergovernmental Agreement</b>				<b>386,842</b>	<b>\$ -</b>	<b>\$ 386,842</b>
<b>TOTAL INDEBTEDNESS</b>				<b>\$ 6,081,256</b>		



November 20, 2014

Township Board  
Ira Township  
7085 Meldrum Road  
Fair Haven, Michigan 48023

Honorable Board Members:

We have concluded the examination of the records of IRA TOWNSHIP for the year ended June 30, 2014. During our audit, certain items came to our attention which we believe warrant consideration of the Township officials.

#### BILLING

During our testing, we found an instance in which a meter read was not entered and usage was not properly charged to a customer. We also found instances in which the billing system was not properly calculating usage for addresses with multiple meters. There was not documentation available to determine the proper number of Residential Equivalent Units that are charged to customers. We recommend that usage variance reports be reviewed prior to the production of bills.

During our audit, we noted some difficulties in reconciling the water hauling charges. We recommend the system for logging and reconciling the gallons used be reviewed by management to allow for more accurate records and proper billing of the water usage.

We also found that a large credit was issued to a customer for many years of incorrect charges. Although this transaction was approved by the supervisor prior to being recorded, it was not presented and approved by the Board for several months after the credit was provided. It has been the Township's policy in the past to have board approval for credits prior to them being issued.

#### CREDIT CARD PURCHASES

During our audit, we discovered that several purchases were made for items that do not comply with Michigan State statute. Cardholders should be informed of the types of expenditures that can be charged to the Township. Management should review items that are charged for appropriateness. It was also noted that credit card purchases are not always recorded in the proper periods.

#### FUEL LOGS

During our testing, we found that the logs used to track fuel usage had gaps in the sequence. There were also some logs that were unavailable. Improved procedures are needed to accurately track and record the usage of fuel.

#### PAYROLL

During our examination of the payroll records, we noted that although the DPS timecards are signed by the department head and approved by the Clerk, they are not signed by the employee. Signature by the employee helps to assure the accuracy of the payroll.

## PERMITS

We found that the administrative fees charged for permits could not easily be traced back to the corresponding permit. When posting the administrative fees, it would be helpful to indicate the permit type related to these fees for easier tracking.

During our examination, we also noted that a receipt was posted to the wrong permit. The correction was made to the permit program, however, it was not journalized to the general ledger.

## BOARD MINUTES

During our audit, we discovered that a sequence of checks was missing from the Board minutes. We suggest care be taken to review minutes for proper inclusion of all items.

## PURCHASES

During our examination, we noted that sales tax was charged on a purchase. We recommend the tax-exempt certificate be available to employees to assure sales tax is not charged.

## CASH RECEIPTS

During our testing, it was noted that cash receipts were not always posted to the correct accounts. When entering cash receipts, we suggest the amounts be recorded to the proper account and deposited timely.

When the Township offers various programs to the residents, the payment received should be paid at the Township office and receipted through the accounting system. We found that cash collected was not remitted timely or through the appropriate procedures.

We discovered an instance in which a personal check was issued to the Township by an employee in place of cash that was receipted from a resident. We recommend that all receipts be deposited to the Township account in the original form.

We noted an instance in which the original deposit slip taken to the bank contained an error. The error was found when the deposit cleared the bank account, at which time the general ledger was adjusted and a new deposit slip was prepared. When these types of errors are found, we suggest that the original document, in this case the original deposit slip, be maintained and additional explanation be included with that information to allow an understanding of the circumstances surrounding the error in lieu of completing a new deposit slip.

We found that a receipt had been posted to the system at the end of the day and the same receipt posted a second time the next morning. The reconciliation of the cash drawer with the amount posted to the Township's cash receipts system should be done daily. Any overages or shortages to the expected amount should be recorded. A reconciliation to the amount per the system is imperative to assure that all monies are properly accounted for.

We also found instances in which adjustments to miscellaneous receipts were not entered properly. Late fees added to customer's accounts should be added with an additional invoice to the miscellaneous receivable system. Any adjustments necessary to this system should have the same approval process and limitations as adjustments to utility billing.

## GENERAL LEDGER

Upon review of information at year end, it was noted that not all receivables were correctly recorded in the general ledger. The modified accrual method under generally accepted accounting principles requires that all amounts that are received or expected to be received within 60 days of the year end be recorded as accounts receivable at the year end. Greater care should be taken to assure that all receivables are recorded in the general ledger for the appropriate year.

During our testing, it came to our attention that the Water and Sewer Fund portion of rent received on the DPS building was not being paid to that fund timely. A process should be put in place so that billing of those amounts are properly split between funds.

#### CONTRACTS

During our audit, we noted a discrepancy in the amount being charged on one of the fire contracts. When a contract stipulates a rate increase based on the applicable consumer price index, care should be taken to assure the calculation is correct.

#### ITEMS FROM PREVIOUS LETTER

#### ACCOUNTS PAYABLE

When verifying the amounts recorded in accounts payable, we found an invoice that was not properly included in the correct period. Invoices should be entered into the system using the date the goods were received or the services were provided.

#### CONCLUSION

We would like to express our appreciation and thanks to the Township Supervisor, Clerk, Treasurer, and office personnel for their cooperation and many courtesies extended to us during our examination. We will be available to discuss these recommendations in more detail.

This report is intended solely for the information and use of the Township Board, management, and others within the Township. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Respectfully submitted,



MCBRIDE - MANLEY & COMPANY P.C.  
Certified Public Accountants



November 20, 2014

Township Board  
Ira Township  
7085 Meldrum Road  
Fair Haven, Michigan 48023

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of IRA TOWNSHIP as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Ira Township's internal control over financial reporting (internal control) as a basis for designing 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 Ira Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Ira Township's internal control.

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

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. We consider the following deficiencies in internal control to be material weaknesses:

*Deficiency:*

The Township relies on the auditor to make significant adjustments to the general ledger in order to comply with generally accepted accounting principles. The Township also relies on the auditor to prepare GAAP financial statements.

*Management's Response:*

We are aware of this, and due to the complexity of governmental reporting, we will continue to rely on our auditor to prepare the adjustments and the GAAP financial statements that are needed.

*Deficiency:*

The Township can only spend funds on expenditures that serve a public purpose. There were several charges recorded that do not comply with this requirement.

*Management's Response:*

Though the charges were not of a material nature, we will increase monitoring of charges to comply with this requirement.

*Deficiency:*

The Township accounts for fuel usage through fuel logs that are to be completed each time an employee accesses the fuel. These logs are not complete and an accurate accounting of fuel usage is not maintained.

*Management's Response:*

We are reviewing ideas, along with their associated costs, to implement better control of fuel usage.

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

Respectfully submitted,

A handwritten signature in cursive script that reads "McBride-Manley & Co.".

MCBRIDE – MANLEY & COMPANY PC  
Certified Public Accountants