

**Township of Bruce
Macomb County, Michigan**

FINANCIAL STATEMENTS

March 31, 2014

Township of Bruce
Macomb County, Michigan
March 31, 2014

BOARD OF TRUSTEES

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Township of Bruce
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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA



3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Township of Bruce
Macomb County, Michigan

Report on the Financial Statements

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 the Township of Bruce (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 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 did not audit the financial statements of the Romeo, Washington, Bruce Parks and Recreation Commission or the Washington and Bruce Senior Transportation through Advanced Reservation Commission, which represent 16 percent, 34 percent, and 1 percent, respectively, of the assets, net position, and revenues of the governmental activities. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for governmental activities, is based solely on the report of the other auditors. 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, based on our audit and the reports of other auditors, 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 the Township of Bruce as of March 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note O, the Township of Bruce implemented Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement No. 14 and Statement No. 34, modifies certain requirements for inclusion of related organizations in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. Our opinions were not modified with respect to this matter.

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 identified 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 Information

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

The combining nonmajor fund financial statements 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 nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 20, 2014

Township of Bruce

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2014

Financial Reporting

This discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2014. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this analysis, the following represents the most significant financial issues for the year ended March 31, 2014:

- The Township's net position in the governmental activities decreased by \$470,384 during the 2013-2014 fiscal year.
- Charges for services increased approximately 13% in the governmental activities. This increase is consistent with an increase in the number ambulance runs and cost of living increases related to the Romeo Services Contract.

Using this Annual Report

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

Government-wide Financial Statements. The 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. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

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).

Fund Financial Statements. The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Township in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

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 evaluating 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.

Township of Bruce

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2014

The Township maintains six (6) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Fire, Advanced Life Support, and Romeo Service Contract Funds, all of which are considered to be major funds. The Improvement Revolving and Special Assessment District are nonmajor governmental funds and are detailed in the Nonmajor Governmental Funds Combining Balance Sheet in the Other Supplementary Information section of the audit report.

The Township adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund and each major Special Revenue Fund to demonstrate compliance with this budget.

Proprietary Funds. The Township maintains two (2) proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses Enterprise Funds to account for its sewer system and water system activity.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-30 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, such as this Management's Discussion and Analysis and the budgetary comparison schedules. Combining statements referred to earlier in connection with nonmajor governmental funds are presented as other supplementary information.

The Township as a Whole

The following table shows, in a condensed format, a comparative analysis of the net position as of March 31, 2013 and March 31, 2014.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Assets						
Current and other assets	\$ 4,673,510	\$ 4,617,054	\$ 280,435	\$ 476,897	\$ 4,953,945	\$ 5,093,951
Capital assets	2,817,833	2,875,498	7,068,426	7,222,697	9,886,259	10,098,195
Total assets	7,491,343	7,492,552	7,348,861	7,699,594	14,840,204	15,192,146
Deferred outflows of resources	-	-	295,238	310,000	295,238	310,000
Liabilities						
Current liabilities	380,470	395,963	223,465	166,644	603,935	562,607
Noncurrent liabilities	3,606,638	3,121,970	4,005,591	4,172,075	7,612,229	7,294,045
Total liabilities	3,987,108	3,517,933	4,229,056	4,338,719	8,216,164	7,856,652
Net position						
Net investment in capital assets	2,817,833	2,875,498	2,896,351	2,909,138	5,714,184	5,784,636
Restricted	2,112,784	2,152,933	-	-	2,112,784	2,152,933
Unrestricted	(1,426,382)	(1,053,812)	518,692	761,737	(907,690)	(292,075)
Total net position	\$ 3,504,235	\$ 3,974,619	\$ 3,415,043	\$ 3,670,875	\$ 6,919,278	\$ 7,645,494

Township of Bruce

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2014

Net position may serve over time as a useful indicator of a government's financial position. The Township's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,919,278 as of March 31, 2014. A portion of the Township's net position reflects its balance of unrestricted net position. These funds may be used to meet the Township's ongoing obligations to citizens and creditors.

An additional portion of the Township's net position (approximately 83%) reflects its investment in capital assets (e.g., land, buildings, equipment), less any related debt used to acquire those assets that are still outstanding. The Township used these capital assets to provide services to citizens; consequently, 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 needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net position (approximately 31%) represents resources that are subject to external restrictions on how they may be used.

The Township's total change in net position was a decrease of \$726,216 during the current year as indicated below.

	Governmental Activities		Business-type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
Revenue						
Program revenue						
Charges for services	\$ 1,331,367	\$ 1,177,521	\$ 340,355	\$ 375,092	\$ 1,671,722	\$ 1,552,613
Operating grants and contributions	32,979	27,162	9,155	28,447	42,134	55,609
Capital grants and contributions	13,509	22,005	-	-	13,509	22,005
General revenue						
Property taxes	1,894,718	1,874,574	-	-	1,894,718	1,874,574
State shared revenue	513,700	504,579	-	-	513,700	504,579
Investment earnings	4,495	6,296	44,814	48,716	49,309	55,012
Change in equity interest in joint ventures	25,955	(10,189)	-	-	25,955	(10,189)
Gain on sale of capital assets	-	20,900	-	-	-0-	20,900
Miscellaneous	61,409	11,427	-	-	61,409	11,427
Transfers	(26,562)	-	26,562	-	-0-	-0-
Total revenue	3,851,570	3,634,275	420,886	452,255	4,272,456	4,086,530
Program expenses						
General government	818,408	779,420	-	-	818,408	779,420
Public safety	3,212,776	3,207,248	-	-	3,212,776	3,207,248
Public works	260,784	324,611	-	-	260,784	324,611
Health and welfare	29,986	-	-	-	29,986	-0-
Sewer system	-	-	589,983	600,824	589,983	600,824
Water system	-	-	86,735	58,714	86,735	58,714
Interest on long-term debt	-	3,618	-	-	-0-	3,618
Total program expenses	4,321,954	4,314,897	676,718	659,538	4,998,672	4,974,435
Change in net position	\$ (470,384)	\$ (680,622)	\$ (255,832)	\$ (207,283)	\$ (726,216)	\$ (887,905)

Governmental Activities

The net position of the Township's governmental activities decreased \$470,384 during fiscal year 2014. The Township incurred governmental expenses of \$4,321,954 during fiscal year 2014, an increase of less than 1% over fiscal year 2013. The Township's decrease in net position was \$236,800 less than in fiscal year 2013. This decrease in net position is a trend the Township has slowly been attempting to correct as new ways to obtain revenue or cut expenses without losing service are being continually analyzed. A key element related to the change in net position is the public safety expenses which is approximately 74% of the total expenses and includes fire and ambulance services.

Township of Bruce

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2014

Business-type Activities

The net position of the Township's business-type activities decreased \$255,832 during fiscal year 2014, largely due to approximately \$28,021 increase in expenses related to the Water Fund as well as a decrease of \$34,737 in charges for services. The majority of the revenue is generated through charges for services, which makes up approximately 86% of the total business-type activities revenue.

The Township's Funds

Governmental Funds. The analysis of the Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the governmental funds, not the Township as a whole. The Township's Board of Trustees creates funds to help manage money for specific purposes. The Township's major governmental funds for the fiscal year ended March 31, 2014, were the General Fund, Fire Fund, Advanced Life Support Fund, and Romeo Service Contract Fund. The General Fund pays for most of the Township's governmental operating services. The most significant service provided within the General Fund during the fiscal year was for general government, which incurred expenditures of \$537,856 for the fiscal year.

The Fire Fund and Advanced Life Support Fund are used to account for fire and ambulance services and are funded with special millages. The funds incurred total expenditures of \$2,036,242 of which \$1,875,793 were for fire and ambulance services. The remainder of expenditures was for capital outlay.

The Romeo Service Contract Fund is used to account for the Township's contract to provide fire and ambulance services to the Village of Romeo. The Village of Romeo pays the Township for these services per the agreement between the governmental units. These charges for services are the revenue source for the fund. The associated expenditures for fire and ambulance services to the Village are the primary expenditures of the fund, which totaled \$615,241 for the fiscal year.

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Sewer System and the Water System at the end of the year amounted to \$0 and \$518,692, respectively. The decrease in net position for the Sewer System was \$235,772; while the decrease in net position for the Water System was \$20,060. Other significant factors concerning the finances of these two funds have already been addressed in the discussion of the Township's business-type activities.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township's Board of Trustees revised the General Fund's budget several times. The Township began the year expecting no usage of fund balance before increasing the General Fund's budgeted expenditures by a total of \$76,745 throughout the year. Actual expenditures came in approximately \$35,642 under the final budgeted amount adopted by the Township's Board of Trustees. Actual revenues were \$4,372 less than the final anticipated amount with the net change in fund balance being an increase of \$33,680.

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year, the Township had approximately \$9,886,259 invested in a broad range of governmental and business-type capital assets, including buildings, land, vehicles, equipment, and utilities. During the fiscal year 2014, the most significant capital asset additions were the purchase of an ambulance and a vehicle for the fire chief. Further details related to the Township's capital assets can be found in Note G to the financial statements.

Township of Bruce

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2014

Long-term Debt. The Township's long-term debt decreased by approximately \$147,909 during fiscal year 2014. This decrease was largely related to not obtaining any additional debt in the fiscal year, while making payments on the bonds currently outstanding. The carrying amount of the Townships obligation for compensated absences, included in the long-term debt, was \$196,611 at fiscal year end. Further details related to the Township's long-term debt can be found in Note H to the financial statements.

Current Economic Factors

Revenue sharing makes up a significant portion of the Township's budget. While this has leveled off, the Township has experienced a slight increase during the most last few budget cycles. A close watch will be maintained as the State of Michigan continues to investigate financial solutions.

Increases in property values have resulted in a slight increase in the property tax revenue for the Township. The trend of increases in property values and corresponding revenue is expected to continue as the Township has noticed significant new construction and building permits being obtained.

Also, the planning commission recently approved major development through the industrial corridor that has already entered the engineering approval phase, phase one (1) of the three (3) project phases. The Township expects to see significant growth in the industrial area as building permits, sewer and water revenue, taxable values, and employment appear to have been given a boost by the development that is already occurring.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township at 223 East Gates Street, Romeo, Michigan 48065.

BASIC FINANCIAL STATEMENTS

Township of Bruce
STATEMENT OF NET POSITION
March 31, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,253,278	\$ 259,042	\$ 2,512,320
Current portion of receivables	315,795	140,657	456,452
Internal balances	701,674	(701,674)	-0-
Due from other governmental units	76,208	9,155	85,363
Prepays	20,961	-	20,961
Total current assets	3,367,916	(292,820)	3,075,096
Noncurrent assets			
Internal balances	77,869	(77,869)	-0-
Noncurrent portion of receivables	26,994	651,124	678,118
Investment in Romeo, Washington, Bruce Parks and Recreation Commission	829,486	-	829,486
Investment in Washington and Bruce Senior Transportation through Advanced Reservation Commission	371,245	-	371,245
Capital assets not being depreciated	680,770	-	680,770
Capital assets being depreciated, net	2,137,063	7,068,426	9,205,489
Total noncurrent assets	4,123,427	7,641,681	11,765,108
TOTAL ASSETS	7,491,343	7,348,861	14,840,204
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges, net of amortization	-	295,238	295,238
LIABILITIES			
Current liabilities			
Accounts payable	53,860	54,583	108,443
Accrued wages	75,892	237	76,129
Unearned revenue	126,864	-	126,864
Current portion of compensated absences	123,854	-	123,854
Current portion of long-term debt	-	166,484	166,484
Total current liabilities	380,470	223,465	603,935
Noncurrent liabilities			
Noncurrent portion of compensated absences	72,757	-	72,757
Noncurrent portion of long-term debt	-	4,005,591	4,005,591
Net other post-employment benefits obligation	3,533,881	-	3,533,881
Total noncurrent liabilities	3,606,638	4,005,591	7,612,229
TOTAL LIABILITIES	3,987,108	4,229,056	8,216,164
NET POSITION			
Net investment in capital assets	2,817,833	2,896,351	5,714,184
Restricted			
Capital projects	207,686	-	207,686
Public safety	1,905,098	-	1,905,098
Unrestricted	(1,426,382)	518,692	(907,690)
TOTAL NET POSITION	\$ 3,504,235	\$ 3,415,043	\$ 6,919,278

See accompanying notes to financial statements.

Township of Bruce
STATEMENT OF ACTIVITIES
Year Ended March 31, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 818,408	\$ 309,858	\$ 2,000	\$ -	\$ (506,550)	\$ -	\$ (506,550)
Public safety	3,212,776	1,021,047	-	-	(2,191,729)	-	(2,191,729)
Public works	260,784	462	30,979	13,509	(215,834)	-	(215,834)
Health and welfare	29,986	-	-	-	(29,986)	-	(29,986)
Total governmental activities	4,321,954	1,331,367	32,979	13,509	(2,944,099)	-0-	(2,944,099)
Business-type activities							
Sewer system	589,983	304,702	9,155	-	-	(276,126)	(276,126)
Water system	86,735	35,653	-	-	-	(51,082)	(51,082)
Total business-type activities	676,718	340,355	9,155	-0-	-0-	(327,208)	(327,208)
Total government	<u>\$ 4,998,672</u>	<u>\$ 1,671,722</u>	<u>\$ 42,134</u>	<u>\$ 13,509</u>	(2,944,099)	(327,208)	(3,271,307)
General revenues							
Property taxes					1,894,718	-	1,894,718
State shared revenues					513,700	-	513,700
Investment earnings					4,495	44,814	49,309
Change in equity interest in Romeo, Washington, Bruce Parks and Recreation Commission					25,955	-	25,955
Miscellaneous					61,409	-	61,409
Transfers					(26,562)	26,562	-0-
Total general revenues					2,473,715	71,376	2,545,091
Change in net position					(470,384)	(255,832)	(726,216)
Net position, beginning of the year					3,974,619	3,670,875	7,645,494
Net position, end of the year					<u>\$ 3,504,235</u>	<u>\$ 3,415,043</u>	<u>\$ 6,919,278</u>

See accompanying notes to financial statements.

Township of Bruce

Governmental Funds

BALANCE SHEET

March 31, 2014

	General Fund	Fire Fund	Advanced Life Support Fund
ASSETS			
Cash and cash equivalents	\$ 427,772	\$ 759,044	\$ 879,743
Receivables			
Accounts	24,704	51,116	68,077
Taxes	18,247	26,537	38,977
Special assessments	3,288	-	-
Long-term receivable	16,500	-	-
Due from other governmental units	76,208	-	-
Due from other funds	497,849	49,081	4,770
Advances to other funds	77,869	-	-
Prepays	9,862	8,622	2,137
TOTAL ASSETS	\$ 1,152,299	\$ 894,400	\$ 993,704
LIABILITIES			
Accounts payable	\$ 30,593	\$ 10,156	\$ 8,280
Accrued wages	13,235	16,383	27,596
Due to other funds	100,047	8,244	3,954
Unearned revenue	5,500	-	-
TOTAL LIABILITIES	149,375	34,783	39,830
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	19,788	-	-
FUND BALANCES			
Nonspendable	87,731	8,622	2,137
Restricted	-	850,995	951,737
Assigned	215,444	-	-
Unassigned	679,961	-	-
TOTAL FUND BALANCES	983,136	859,617	953,874
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,152,299	\$ 894,400	\$ 993,704

See accompanying notes to financial statements.

Romeo Service Contract Fund	Nonmajor Governmental Funds	Total
\$ 184,018	\$ 2,701	\$ 2,253,278
51,058	-	194,955
-	-	83,761
-	44,285	47,573
-	-	16,500
-	-	76,208
1,484	304,897	858,081
-	-	77,869
340	-	20,961
<u>\$ 236,900</u>	<u>\$ 351,883</u>	<u>\$ 3,629,186</u>
\$ 4,831	\$ -	\$ 53,860
18,678	-	75,892
420	43,742	156,407
121,364	-	126,864
<u>145,293</u>	<u>43,742</u>	<u>413,023</u>
-	43,789	63,577
340	-	98,830
91,267	207,686	2,101,685
-	97,588	313,032
-	(40,922)	639,039
<u>91,607</u>	<u>264,352</u>	<u>3,152,586</u>
<u>\$ 236,900</u>	<u>\$ 351,883</u>	<u>\$ 3,629,186</u>

Township of Bruce

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

March 31, 2014

Total fund balances - governmental funds \$ 3,152,586

Amounts reported for the governmental activities in the statement of net position are different because:

Investments in joint ventures are not financial resources and are not reported in the governmental funds. 1,200,731

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

The cost of capital assets is	\$ 7,643,107	
Accumulated depreciation is	<u>(4,825,274)</u>	

Capital assets, net		2,817,833
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Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:

Unavailable revenue		63,577
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities at year-end consist of:

Compensated absences	(196,611)	
Net other post-employment benefits obligation	<u>(3,533,881)</u>	

(3,730,492)

Net position of governmental activities \$ 3,504,235

Township of Bruce

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2014

	General Fund	Fire Fund	Advanced Life Support Fund
REVENUES			
Taxes	\$ 455,448	\$ 635,479	\$ 927,209
Licenses and permits	71,264	-	-
Intergovernmental	544,679	-	-
Charges for services	109,731	154,327	237,518
Interest	1,345	1,781	1,511
Other	66,442	7,066	-
TOTAL REVENUES	1,248,909	798,653	1,166,238
EXPENDITURES			
Current			
General government	537,856	-	-
Public safety	-	698,314	1,177,479
Public works	240,885	-	-
Other	269,999	-	-
Capital outlay	42,339	160,449	-
TOTAL EXPENDITURES	1,091,079	858,763	1,177,479
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	157,830	(60,110)	(11,241)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(124,150)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(124,150)	-0-	-0-
NET CHANGE IN FUND BALANCES	33,680	(60,110)	(11,241)
Fund balances, beginning of year	949,456	919,727	965,115
Fund balances, end of year	<u>\$ 983,136</u>	<u>\$ 859,617</u>	<u>\$ 953,874</u>

See accompanying notes to financial statements.

Romeo Service Contract Fund	Nonmajor Governmental Funds	Total
\$ -	\$ -	\$ 2,018,136
-	-	71,264
-	-	544,679
644,423	-	1,145,999
320	-	4,957
1,700	7,937	83,145
646,443	7,937	3,868,180
-	-	537,856
615,241	-	2,491,034
-	-	240,885
-	-	269,999
-	-	202,788
615,241	-0-	3,742,562
31,202	7,937	125,618
-	97,588	97,588
-	-	(124,150)
-0-	97,588	(26,562)
31,202	105,525	99,056
60,405	158,827	3,053,530
<u>\$ 91,607</u>	<u>\$ 264,352</u>	<u>\$ 3,152,586</u>

Township of Bruce

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2014

Net change in fund balances - total governmental funds **\$ 99,056**

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

Changes in equity interest in joint ventures are not reported in the governmental funds:

Romeo, Washington, and Bruce Parks and Recreation Commission	\$ 25,955	
Washington and Bruce Townships Senior Transportation through Advanced Reservation Commission (S.T.A.R.)	<u>(29,986)</u>	
		(4,031)

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	183,489	
Depreciation	<u>(238,531)</u>	
Excess of depreciation expense over capital outlay		(55,042)

The loss on disposal of capital assets is reported in the statement of activities. The loss is not a use of current resources and thus is not reported in the funds. (2,623)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period these amounts consist of:

Change in unavailable revenue	(16,003)
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences	6,425	
(Increase) in net other post-employment benefits obligation	<u>(498,166)</u>	
		<u>(491,741)</u>

Change in net position of governmental activities **\$ (470,384)**

Township of Bruce
Proprietary Funds
STATEMENT OF NET POSITION
March 31, 2014

	Sewer System Fund	Water System Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 161,464	\$ 97,578	\$ 259,042
Receivables			
Customers	79,678	-	79,678
Current portion of special assessments	28,977	32,002	60,979
Due from other governmental units	9,155	-	9,155
Due from other funds	-	30,619	30,619
Total current assets	279,274	160,199	439,473
Noncurrent assets			
Noncurrent portion of special assessments receivable	187,773	463,351	651,124
Capital assets, net of accumulated depreciation	6,168,023	900,403	7,068,426
Total noncurrent assets	6,355,796	1,363,754	7,719,550
TOTAL ASSETS	6,635,070	1,523,953	8,159,023
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges, net of amortization	295,238	-	295,238
LIABILITIES			
Current liabilities			
Accounts payable	54,193	390	54,583
Accrued wages	237	-	237
Accrued liabilities	-	2,161	2,161
Due to other funds	629,986	102,307	732,293
Current portion of long-term debt	137,284	29,200	166,484
Total current liabilities	821,700	134,058	955,758
Noncurrent liabilities			
Advances from other funds	77,869	-	77,869
Noncurrent portion of long-term debt	3,493,391	512,200	4,005,591
Total noncurrent liabilities	3,571,260	512,200	4,083,460
TOTAL LIABILITIES	4,392,960	646,258	5,039,218
NET POSITION			
Net investment in capital assets	2,537,348	359,003	2,896,351
Unrestricted	-	518,692	518,692
TOTAL NET POSITION	\$ 2,537,348	\$ 877,695	\$ 3,415,043

See accompanying notes to financial statements.

Township of Bruce

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Year Ended March 31, 2014

	Sewer System Fund	Water System Fund	Total
OPERATING REVENUES			
Charges for services	\$ 304,702	\$ 35,653	\$ 340,355
OPERATING EXPENSES			
Cost of sewage disposal	305,846	-	305,846
Operation and maintenance	23,035	43,315	66,350
General and administrative	5,570	40	5,610
Depreciation and amortization	151,357	16,192	167,549
TOTAL OPERATING EXPENSES	<u>485,808</u>	<u>59,547</u>	<u>545,355</u>
OPERATING (LOSS)	(181,106)	(23,894)	(205,000)
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental - State	9,155	-	9,155
Interest revenue	13,792	31,022	44,814
Interest and fees expense	(104,175)	(27,188)	(131,363)
NONOPERATING REVENUES (EXPENSES)	<u>(81,228)</u>	<u>3,834</u>	<u>(77,394)</u>
(LOSS) BEFORE TRANSFERS	(262,334)	(20,060)	(282,394)
TRANSFERS IN	<u>26,562</u>	<u>-</u>	<u>26,562</u>
CHANGE IN NET POSITION	(235,772)	(20,060)	(255,832)
Net position, beginning of year	<u>2,773,120</u>	<u>897,755</u>	<u>3,670,875</u>
Net position, end of year	<u><u>\$ 2,537,348</u></u>	<u><u>\$ 877,695</u></u>	<u><u>\$ 3,415,043</u></u>

See accompanying notes to financial statements.

Township of Bruce

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended March 31, 2014

	Sewer System Fund	Water System Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 330,160	\$ 65,932	\$ 396,092
Cash receipts from other governmental units	19,292	-	19,292
Cash paid to suppliers	(297,758)	(42,061)	(339,819)
Cash paid to employees	(5,566)	-	(5,566)
NET CASH PROVIDED BY OPERATING ACTIVITIES	46,128	23,871	69,999
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental grant	9,155	-	9,155
Payment (receipt) of interfund balances	106,454	(3,018)	103,436
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	115,609	(3,018)	112,591
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments on borrowings	(110,000)	(30,000)	(140,000)
Interest and fees paid	(104,175)	(27,188)	(131,363)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(214,175)	(57,188)	(271,363)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	13,792	31,022	44,814
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(38,646)	(5,313)	(43,959)
Cash and cash equivalents, beginning of year	200,110	102,891	303,001
Cash and cash equivalents, end of year	<u>\$ 161,464</u>	<u>\$ 97,578</u>	<u>\$ 259,042</u>

Township of Bruce

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended March 31, 2014

	<u>Sewer System Fund</u>	<u>Water System Fund</u>	<u>Total</u>
Reconciliation of operating (loss) to net cash provided by operating activities			
Operating (loss)	\$ (181,106)	\$ (23,894)	\$ (205,000)
Adjustments to reconcile operating (loss) to net cash provided by operating activities			
Depreciation and amortization	151,357	16,192	167,549
(Increase) decrease in:			
Receivables	25,458	30,279	55,737
Due from other governmental units	19,292	-	19,292
Prepays	600	-	600
Increase (decrease) in:			
Accounts payable	30,523	(867)	29,656
Accrued wages	4	-	4
Accrued liabilities	-	2,161	2,161
	<u> </u>	<u> </u>	<u> </u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 46,128</u></u>	<u><u>\$ 23,871</u></u>	<u><u>\$ 69,999</u></u>

See accompanying notes to financial statements.

Township of Bruce

Fiduciary Funds

STATEMENT OF ASSETS AND LIABILITIES

March 31, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 121,098
Due from others	570
Due from other governmental units	<u>35,202</u>
TOTAL ASSETS	<u><u>\$ 156,870</u></u>
LIABILITIES	
Accrued and other liabilities	\$ 670
Due to other governmental units	37,031
Deposits	<u>119,169</u>
TOTAL LIABILITIES	<u><u>\$ 156,870</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Bruce (the Township) was organized as a township under provisions of the constitution and general law of the State of Michigan. The Township is one of eleven (11) townships in Macomb County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two (2) Trustees and provides services to its residents in many areas including general government, highways and streets, fire protection, and sewer utility services.

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the Township. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township contain all the funds controlled by the Township Board.

2. Joint Ventures

The Township is a member of the Romeo, Washington, Bruce Parks and Recreation Commission and the Washington and Bruce Townships Senior Transportation thru Advanced Reservation Commission (S.T.A.R.). The Township appoints one member to each joint venture's governing board, which then approves the annual budget. The Romeo, Washington, Bruce Parks and Recreation Commission is funded primarily from property taxes and program fees. S.T.A.R. is funded primarily from property taxes and operating grants. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The Township's equity interest of \$829,486 and \$371,245 in the Romeo, Washington, Bruce Parks and Recreation Commission and the Washington and Bruce Townships Senior Transportation thru Advanced Reservation Commission, respectively, is recorded within the governmental activities of the statement of net position. Complete financial statements for the joint ventures can be obtained from the respective administrative offices.

The Township is a member of Romeo District Library, which provides library services to the residents of the Village of Romeo, Washington Township, and Bruce Township. The Library is funded primarily from property taxes and user fees. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The Township appoints two members to the Romeo District Library board, which approves the library's annual budget. During the current year, no contribution was made to the Library by the Township. Complete financial statements for the Romeo District Library can be obtained from the administrative office.

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Joint Ventures - continued

The Township, in conjunction with the Village of Romeo and Washington Township, has entered into an agreement that created the Michigan Community Media (MiCM). MiCM provides Public, Education, and Government (PEG) services to the Village of Romeo, Washington Township, and Bruce Township and the residents thereof in conjunction with cable/video service providers. The Township's financial responsibility is to pass through 95% of the franchise fees received from its cable/video service providers. For the year ended March 31, 2014, the Township passed through \$81,987.

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the Township as a whole. All nonfiduciary activities of the Township are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of 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 presents the direct functional expenses of the Township and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated nonmajor funds. 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 the major individual enterprise funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Fire Fund is used to account for fire safety and protection services/activities within the Township. Funding is provided primarily through a local property tax levy.
- c. The Advanced Life Support Fund is used to account for emergency medical response service/activities within the Township. Funding is provided primarily through a local property tax levy and a user charge for ambulance services.
- d. The Romeo Service Contract Fund is used to account for fire safety and protection services/activities within the Village of Romeo. Funding is provided primarily through an intergovernmental contract and user charges charged to the Village of Romeo.

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The Township reports the following major enterprise funds:

- a. The Sewer System Fund is used to account for the activities of the sewage and storm water collection system. Funding is primarily raised through user charges.
- b. The Water System Fund is used to account for the activities of the construction and establishment of a water utility system. Funding is primarily raised through user charges.

The Township also reports fiduciary funds to account for assets held by the Township as an agent for other governments, private organizations, or individuals. Agency funds are by nature, custodial; therefore, operating results are not measured. The Township's fiduciary funds are the General Agency Fund and the Current Tax Collection Fund.

4. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

There is no measurement focus for the fiduciary agency funds since assets equal liabilities.

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is sixty (60) days. Revenues that are considered measurable but not available are recorded as a receivable and unavailable revenue. Significant revenues susceptible to accrual are special assessments, certain intergovernmental revenues, and certain charges for services. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

The proprietary and agency funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred.

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Basis of Accounting - continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

6. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect results in the required supplementary information. The Township employs the following budgetary data reflected in the financial statements.

- a. Prior to March 1, the Township Supervisor submits a proposed operating budget for the fiscal year commencing the following April 1 to the Township Board. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to March 31, the budget is adopted through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- d. Formal budgetary integration is employed as a management control device during the year.
- e. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

7. Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings, and investment trust fund accounts. Cash equivalents are recorded at cost, which approximates market value.

8. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services, amounts owed to the Township from special assessment, and taxes levied that have not been collected.

9. Due from Other Governmental Units

Due from other governmental units consist of amounts due from the State of Michigan and other governments for various payments and grants.

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Prepays

Prepaid expenditures in the governmental funds and prepaid expenses in the government-wide financial statements, such as insurance premiums, which are expected to be written off within the next fiscal year, are included in net current assets. Reported prepaid expenditures are equally offset by nonspendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

11. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental and business-type activities columns. Capital assets are those with an initial cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Sewer system	30 - 60 years
Buildings and improvements	40 years
Fire vehicles and equipment	5 - 12 years
Machinery and equipment	5 - 7 years
Election equipment	5 years

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet 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 or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township only has one item that qualifies for reporting in this category. It is a deferred charge on refunding reported in the government-wide and proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position and balance sheet 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 or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Township 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 from special assessments and a long-term receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE A: DESCRIPTION OF TOWNSHIP OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Compensated Absences

In accordance with the Township personnel policies and/or contracts negotiated with the various employee groups of the Township, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of March 31, 2014, including related payroll taxes, is recorded entirely in the government-wide financial statements.

14. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

15. Property Tax

The Township bills and collects its own property taxes and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied on December 1. The tax levy is due February 28. All taxes not paid by their due date are deemed delinquent. Delinquent real and personal property taxes are turned over to the Macomb County Treasurer on March 1 of the year following the levy. The Macomb County Treasurer remits payment to all taxing units on all delinquent real property taxes. Personal property payments are remitted to the Township when the County collects the delinquent property taxes still outstanding after March 1.

The Township is permitted to levy up to \$1 per \$1,000 of taxable valuation for general governmental service and additional amounts for special and debt services. For the year ended March 31, 2014, the Township levied 0.7914 mills for general governmental services, 2.2400 mills for fire services, and 3.2900 mills for advanced life support services. The total taxable value for the 2013 levy for the property within the Township was \$402,715,145.

16. Restricted Net Position

Restrictions of net position shown in the government-wide financial statements indicate restrictions that have been imposed by outside sources which preclude a portion of net position from their use for unrestricted purposes.

17. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE B: CASH AND CASH EQUIVALENTS

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Deposits

There is a custodial credit risk as it related to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2014, the carrying amount of the Township's deposits was \$2,632,668 and the bank balance was \$2,709,695.

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of March 31, 2014, the Township's accounts were insured by the FDIC for \$501,705 and the amount of \$2,207,990 was uninsured and uncollateralized.

The following summarizes the categorizations of these amounts as of March 31, 2014:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	<u>\$ 2,512,320</u>	<u>\$ 121,098</u>	<u>\$ 2,633,418</u>

The cash and cash equivalents caption on the financial statements include \$750 in petty cash.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of the uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Interest rate risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics.

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED

Concentration of credit risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio by security type to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

NOTE C: LONG-TERM RECEIVABLE

On March 20, 2013, the Township entered into a five (5) year agreement with Ingleside Farms ending on December 31, 2017, for the use of approximately 144 acres of crop land. Ingleside Farms has agreed to pay the Township \$5,500 per year on or before April 1 of each year. The amounts attributable to this long-term receivable have been recorded at the fund level as long-term receivable and unavailable revenue. The following is a summary of future annual payments at March 31, 2014:

<u>Year Ended</u> <u>March 31,</u>	
2016	\$ 5,500
2017	5,500
2018	<u>5,500</u>
	<u>\$ 16,500</u>

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at March 31, 2014, are as follows:

Due to General Fund from:	
Fire Fund	\$ 701
Sewer System Fund	394,826
Water System Fund	102,307
Nonmajor governmental funds	<u>15</u>
	<u>\$ 497,849</u>
Due to Fire Fund from:	
General Fund	\$ 1,400
Advanced Life Support	3,954
Nonmajor governmental funds	<u>43,727</u>
	<u>\$ 49,081</u>
Due to Advanced Life Support Fund from:	
General Fund	\$ 350
Fire Fund	4,000
Romeo Service Contract Fund	<u>420</u>
	<u>\$ 4,770</u>

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE D: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

Due to Romeo Service Contract Fund from:	
General Fund	\$ 250
Fire Fund	1,234
	<u>1,484</u>
	<u>\$ 1,484</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 97,588
Fire Fund	2,309
Sewer System Fund	205,000
	<u>304,897</u>
	<u>\$ 304,897</u>
Due to Water System Fund from:	
General Fund	\$ 459
Sewer System Fund	30,160
	<u>30,619</u>
	<u>\$ 30,619</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not yet cleared as of the balance sheet date.

NOTE E: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable between funds of the primary government at March 31, 2014:

Advances from General Fund to:	
Sewer System Fund	\$ 77,869
	<u>77,869</u>

Advances from the General Fund to the Sewer System Fund were to cover debt payments related to the 2004 Capital Improvement Bonds and the 2007 Special Assessment Bonds.

NOTE F: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers are used to move unrestricted General Fund revenues to fund operating costs and future capital projects that the government must account for in other funds in accordance with budgetary authorizations.

Transfer to Sewer Fund from:	
General Fund	\$ 26,562
	<u>26,562</u>
Transfer to nonmajor governmental funds from:	
General Fund	\$ 97,588
	<u>97,588</u>

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE G: CAPITAL ASSETS

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

Governmental activities

	Balance Apr. 1, 2013	Additions	Deletions	Balance Mar. 31, 2014
Capital assets not being depreciated				
Land	\$ 680,770	\$ -	\$ -	\$ 680,770
Capital assets being depreciated				
Buildings and improvements	3,838,533	-	-	3,838,533
Fire vehicles and equipment	2,805,894	175,206	(118,732)	2,862,368
Machinery and equipment	193,185	8,283	-	201,468
Election equipment	59,968	-	-	59,968
Subtotal	6,897,580	183,489	(118,732)	6,962,337
Less accumulated depreciation for:				
Buildings and improvements	(2,235,656)	(95,984)	-	(2,331,640)
Fire vehicles and equipment	(2,260,674)	(136,075)	116,109	(2,280,640)
Machinery and equipment	(156,780)	(3,755)	-	(160,535)
Election equipment	(49,742)	(2,717)	-	(52,459)
Subtotal	(4,702,852)	(238,531)	116,109	(4,825,274)
Net capital assets being depreciated	2,194,728	(55,042)	(2,623)	2,137,063
Capital assets, net	<u>\$ 2,875,498</u>	<u>\$ (55,042)</u>	<u>\$ (2,623)</u>	<u>\$ 2,817,833</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 102,456
Public safety	136,075
	<u>\$ 238,531</u>

Business-type activities

	Balance Apr. 1, 2013	Additions	Deletions	Balance Mar. 31, 2014
Capital assets being depreciated				
Sewer system	\$ 8,332,733	\$ -	\$ -	\$ 8,332,733
Water system	923,491	-	-	923,491
Subtotal	9,256,224	-0-	-0-	9,256,224
Less accumulated depreciation for:				
Sewer system	(2,025,831)	(138,879)	-	(2,164,710)

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE G: CAPITAL ASSETS - CONTINUED

Business-type activities - continued

Depreciation expense was charged to the following business-type activities:

NOTE H: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended March 31, 2014:

	Balance Apr. 1, 2013	Additions	Deletions	Balance Mar. 31, 2014	Due Within One Year
Governmental activities					
Compensated absences	\$ 203,036	\$ 121,476	\$ (127,901)	\$ 196,611	\$ 123,854
Business-type activities					
2004 Capital Improvement Bonds	175,000	-	(75,000)	100,000	100,000
2007 Special Assessment Bonds	335,000	-	(35,000)	300,000	35,000
2010 Special Assessment Bonds	585,000	-	(30,000)	555,000	30,000
Discount	(14,400)	-	800	(13,600)	(800)
2012 Refunding Bonds	3,185,000	-	-	3,185,000	-
Premium	47,959	-	(2,284)	45,675	2,284
	<u>4,313,559</u>	<u>-0-</u>	<u>(141,484)</u>	<u>4,172,075</u>	<u>166,484</u>
TOTAL	<u>\$ 4,516,595</u>	<u>\$ 121,476</u>	<u>\$ (269,385)</u>	<u>\$ 4,368,686</u>	<u>\$ 290,338</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

Governmental Activities

Compensated Absences

In accordance with the Township personnel policies and/or contracts negotiated with the various employee groups of the Township, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$196,611 for vacation and sick at March 31, 2014. The amounts of \$123,854 and \$72,757 have been reported as current and noncurrent liabilities, respectively.

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE H: LONG-TERM DEBT - CONTINUED

Business-type Activities

General Obligation Bonds

\$3,375,000 2004 General Obligation Capital Improvement Bonds, dated December 1, 2004, due in an annual installments of \$100,000 on October 1, 2014, with interest of 5.30 percent, payable semi-annually. \$ 100,000

\$3,185,000 2012 Refunding Bonds, dated November 30, 2012, due in annual installments ranging from \$140,000 to \$195,000 through October 1, 2033, with interest ranging from 1.50 to 3.00 percent, payable semi-annually. 3,185,000

\$ 3,285,000

Special Assessment Bonds

\$520,000 2007 Special Assessment Bonds, dated August 1, 2007, due in annual installments ranging from \$35,000 to \$50,000 through April 1, 2022, with interest ranging from 4.15 to 4.50 percent, payable semi-annually. \$ 300,000

\$640,000 2010 Special Assessment Bonds, dated November 3, 2010, due in annual installments ranging from \$30,000 to \$35,000 through April 1, 2030, with interest ranging from 3.75 to 5.20 percent, payable semi-annually. 555,000

\$ 855,000

Advanced Refunding - Prior

On November 30, 2012, the Township defeased a portion of the 2004 General Obligation Capital Improvement Bonds, which are due and payable October 1, 2015 through October 1, 2033. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The Township issued 2012 Refunding Bonds in the amount of \$3,185,000. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the Township's financial statements. At March 31, 2014, bonds due and payable October 1, 2015 through October 1, 2033, for the 2004 General Obligation Capital Improvement Bonds in the amount of \$2,875,000 are considered defeased.

The annual requirements to pay the debt principal and interest outstanding for the bonds are as follows:

Year Ending March 31,	General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 100,000	\$ 87,638	\$ 65,000	\$ 38,615
2016	140,000	82,338	70,000	35,945
2017	135,000	79,538	70,000	33,144
2018	135,000	76,838	70,000	30,309
2019	160,000	74,813	70,000	27,430
2020-2024	805,000	325,238	300,000	89,030
2025-2029	890,000	216,625	175,000	31,850
2030-2034	920,000	83,850	35,000	910
	<u>\$ 3,285,000</u>	<u>\$ 1,026,878</u>	<u>\$ 855,000</u>	<u>\$ 287,233</u>

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE I: ECONOMIC DEPENDENCY

A significant portion of the Township's revenues are raised through tax levies. The Township's largest taxpayer is Ford Motor Company (the Company). The Company is an individually significant taxpayer to the Township as it represents approximately 14 percent of the total taxes levied for the year ended March 31, 2014.

NOTE J: RISK MANAGEMENT

The Township participates in a pool, the Michigan Township Participating Plan, with other municipalities for various risks of loss including general, employee benefits, public officials, law enforcement, inland marine, crime, auto, boiler and machinery, and EDP liability, errors and omissions, and property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969 as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

NOTE K: DEFINED CONTRIBUTION RETIREMENT PLAN

The Township of Bruce Group Pension Plan is a defined contribution retirement plan administered by the Principal Financial group and available to all of the Township's full-time employees and part-time firefighters. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township's board, the Township contributes 16 percent of full-time employees' and 10 percent or 5 percent of part-time employees' base earnings depending on job position. In accordance with these requirements, the Township contributed \$222,906 and the employees contributed \$76,415 during the current year.

NOTE L: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Township of Bruce Post-employment Benefits Plan (the "Plan") is a single-employer defined other post-employment benefit plan administered by the Township. The Township provides medical, dental, vision, and life insurance benefits to eligible retirees and their spouses in accordance with personnel policies. The Township purchases Medicare supplemental insurance for retirees eligible for Medicare. 100% of all premiums and other costs associated with the Plan are covered by the Township. The Township records the cost of providing these benefits as expenses when paid. The following are the Governmental Accounting Standards Board Statement No. 45 (GASB Statement No. 45) required disclosures and these disclosures have been implemented prospectively by the Township.

The following are the required disclosures that have been implemented by the Township.

Membership in the plan at March 31, 2014, is as follows:

Retirees and beneficiaries receiving benefits	7
Active plan members	<u>16</u>
	<u><u>23</u></u>

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE L: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

The plan does not issue separate stand-alone financial statements.

Funding Policy

The Township's annual other post-employment benefit (OPEB) cost is calculated based on the *annual required contribution of the employer* (ARC). The Township has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The Township has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a "pay-as-you-go" basis). The only current contributions being made are to pay the actual current premiums of the retirees. That amount was less than the annual required contribution and is reflected in the schedule that follows. Administrative costs of the plan are paid for by the Township.

Funding Progress

For the year ended March 31, 2014, the Township has determined an estimated cost of providing post-employment benefits through the alternative measurement method of calculation as of March 31, 2012. The calculation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed thirty (30) years.

The Township's computed contribution and actual funding is summarized as follows:

Annual required contribution (ARC)	\$ 578,158
Interest on net OPEB Obligation	121,429
Adjustment to annual required contribution	<u>(116,758)</u>
Annual OPEB cost (expense)	582,829
Amounts contributed:	
Payments of current premiums (gross of employee reimbursement)	<u>84,663</u>
Increase in net OPEB obligation	498,166
Net OPEB obligation - beginning of year	<u>3,035,715</u>
Net OPEB obligation - end of year	<u><u>\$ 3,533,881</u></u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation, were as follows:

	Year Ended March 31,		
	<u>2012</u>	<u>2013</u>	<u>2014</u>
Annual OPEB cost	\$ 894,400	\$ 585,656	\$ 582,829
Percentage contributed	3.6%	13.7%	14.5%
Net OPEB obligation	\$ 2,530,584	\$ 3,035,715	\$ 3,533,881

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE L: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

The funding progress of the plan is as follows:

	Year Ended March 31, 2009	2012
Actuarial value of assets	\$ -	\$ -
Actuarial accrued liability (AAL)	6,901,466	5,599,503
Unfunded AAL (UAAL)	6,901,466	5,599,503
Funded ratio	0.0%	0.0%
Annual covered payroll	\$ 1,214,152	\$ 1,317,402
Ratio of UAAL to covered payroll	568.4%	425.0%

This trend information was obtained from the most recently issued valuation reports.

Valuation Methods and Assumptions

Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrences of certain events far into the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the Township are subject to continual revisions as actual results are compared with past expectations and new estimates and assumptions are made about the future. The schedule of funding progress, presented above, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities or benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Township and plan members to that point. The valuation methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in estimated accrued liabilities and the estimated value of assets, consistent with the long-term perspective of the calculations.

NOTE M: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE M: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the Township's highest level of decision-making authority is the Township Board. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution by the Township Board.

For assigned fund balance, the Township has not adopted a policy indicating who is to assign amounts to a specific purpose. As a result, this authority is retained by the Township Board.

The Township has not formally adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy, the Township considers restricted amounts to have been spent first when an expenditure is incurred for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the Township considers committed, assigned, or unassigned amounts 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.

	General Fund	Fire Fund	Advance Life Support Fund	Romeo Service Contract Fund	Nonmajor Governmental Funds	Total
Fund Balances						
Nonspendable						
Prepays	\$ 9,862	\$ 8,622	\$ 2,137	\$ 340	\$ -	\$ 20,961
Advances	77,869	-	-	-	-	77,869
Restricted						
Public safety	-	850,995	951,737	91,267	-	1,893,999
Capital projects	-	-	-	-	207,686	207,686
Assigned						
Post-employment healthcare	150,000	-	-	-	-	150,000
Cable expenditures	65,444	-	-	-	-	65,444
Capital projects	-	-	-	-	97,588	97,588
Unassigned	679,961	-	-	-	(40,922)	639,039
	<u>\$ 983,136</u>	<u>\$ 859,617</u>	<u>\$ 953,874</u>	<u>\$ 91,607</u>	<u>\$ 264,352</u>	<u>\$ 3,152,586</u>

NOTE N: FUND EQUITY DEFICITS

The Special Assessment District Fund had a deficit balance at March 31, 2014, of \$40,922. The Special Assessment District Fund deficit fund balance was a planned deficit as eligible expenditures were incurred in advance of special assessment revenues. The Township plans to eliminate this deficit through future special assessment collections.

NOTE O: CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 61, *The Financial Reporting Entity Omnibus*, was implemented during the current year. This pronouncement, which is an amendment to Statement No. 14 and Statement No. 34, modifies certain requirements for inclusion of related organizations in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations.

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

NOTE P: UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement will require governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The Township is currently evaluating the impact this standard will have on the financial statements when adopted for the 2014-2015 fiscal year.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The statement also requires: (1) a government guarantor to consider qualitative factors when determining if a payment on its guarantee is more likely than not to be required, (2) an issuer government that is required to repay a guarantor for guarantee payments made to continue to report a liability unless legally released, and (3) a government guarantor or issuer to disclose information about the amounts and nature of nonexchange financial guarantees. The Township is currently evaluating the impact this standard will have on the financial statements when adopted for the 2014-2015 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Bruce

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)

Year Ended March 31, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 478,200	\$ 457,500	\$ 455,448	\$ (2,052)
Licenses and permits	41,500	71,200	71,264	64
Intergovernmental				
State shared revenue	513,000	513,000	513,700	700
Other	6,000	30,804	30,979	175
Charges for services	10,000	25,975	24,397	(1,578)
Interest	1,520	1,520	1,338	(182)
Other				
Special assessments	5,900	5,900	3,872	(2,028)
Miscellaneous	46,425	62,041	62,570	529
TOTAL REVENUES	1,102,545	1,167,940	1,163,568	(4,372)
EXPENDITURES				
Current				
General government				
Township board	23,712	24,912	25,036	(124)
Supervisor	47,160	47,160	47,160	-0-
Elections	3,600	9,000	8,796	204
Assessor	107,426	109,926	109,859	67
Legal fees	8,000	13,100	12,800	300
Clerk	85,380	86,880	86,811	69
General office	54,000	57,800	57,336	464
Accounting and audit	46,360	49,360	49,078	282
Board of Review	2,800	2,800	2,115	685
Tax roll preparation	4,300	5,300	5,062	238
Treasurer	59,660	59,660	59,319	341
Cemeteries	13,200	24,741	15,860	8,881
Building and grounds	37,900	65,711	58,624	7,087
Total general government	493,498	556,350	537,856	18,494
Public works				
Zoning board of appeals	5,100	2,700	2,268	432
Inspections	101,250	101,250	99,077	2,173
Street lighting	8,500	10,500	10,494	6
Drains	7,600	7,600	7,590	10
Engineering	2,500	2,500	1,794	706
Planning	16,300	15,300	14,508	792
Road chloride and paving	31,850	31,850	23,543	8,307
Ordinance enforcement	2,000	400	180	220
Total public works	175,100	172,100	159,454	12,646

Township of Bruce

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - CONTINUED

Year Ended March 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES - CONTINUED				
Current - continued				
Other				
Insurance and other	\$ 150,800	\$ 170,500	\$ 169,118	\$ 1,382
Pension plan	57,700	62,200	61,950	250
Employer payroll taxes	35,700	40,250	38,584	1,666
Tax refunds ordered	500	500	347	153
Total other	244,700	273,450	269,999	3,451
Capital outlay	55,247	43,390	42,339	1,051
TOTAL EXPENDITURES	968,545	1,045,290	1,009,648	35,642
EXCESS OF REVENUES OVER EXPENDITURES	134,000	122,650	153,920	31,270
OTHER FINANCING SOURCES				
Transfers out	(134,000)	(124,150)	(124,150)	-0-
Net change in fund balance (prior to adjustments for GASB Statement No. 54)	<u>\$ -0-</u>	<u>\$ (1,500)</u>	29,770	<u>\$ 31,270</u>
Net adjustments for GASB Statement No. 54			<u>3,910</u>	
Net change in fund balance, end of year			<u>\$ 33,680</u>	

Township of Bruce

Fire Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 627,738	\$ 628,438	\$ 635,479	\$ 7,041
Charges for services	132,000	139,800	154,327	14,527
Intergovernmental	1,000	1,000	-	(1,000)
Interest	3,500	3,500	1,781	(1,719)
Other	6,000	11,000	7,066	(3,934)
TOTAL REVENUES	770,238	783,738	798,653	14,915
EXPENDITURES				
Current				
Public safety	647,200	714,400	698,314	16,086
Capital outlay	93,038	166,938	160,449	6,489
Debt service	30,000	-	-	-0-
TOTAL EXPENDITURES	770,238	881,338	858,763	22,575
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	(97,600)	(60,110)	37,490
OTHER FINANCING SOURCES (USES)				
Transfers in	-	112,000	-	(112,000)
Transfers out	-	(23,000)	-	23,000
TOTAL OTHER FINANCING SOURCES (USES)	-0-	89,000	-0-	(89,000)
NET CHANGE IN FUND BALANCE	-0-	(8,600)	(60,110)	(51,510)
Fund balance, beginning of year	919,727	919,727	919,727	-0-
Fund balance, end of year	<u>\$ 919,727</u>	<u>\$ 911,127</u>	<u>\$ 859,617</u>	<u>\$ (51,510)</u>

Township of Bruce
Advanced Life Support Fund
BUDGETARY COMPARISON SCHEDULE
Year Ended March 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Taxes	\$ 916,849	\$ 916,849	\$ 927,209	\$ 10,360
Charges for services	209,251	209,251	237,518	28,267
Interest	1,700	1,700	1,511	(189)
Other				
Special assessments	2,000	2,000	-	(2,000)
TOTAL REVENUES	1,129,800	1,129,800	1,166,238	36,438
EXPENDITURES				
Current				
Public safety	1,129,800	1,180,750	1,177,479	3,271
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	(50,950)	(11,241)	39,709
OTHER FINANCING SOURCES				
Transfers in	-	23,000	-	(23,000)
NET CHANGE IN FUND BALANCE	-0-	(27,950)	(11,241)	16,709
Fund balance, beginning of year	965,115	965,115	965,115	-0-
Fund balance, end of year	<u>\$ 965,115</u>	<u>\$ 937,165</u>	<u>\$ 953,874</u>	<u>\$ 16,709</u>

Township of Bruce
Romeo Service Contract Fund
BUDGETARY COMPARISON SCHEDULE
Year Ended March 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 516,600	\$ 621,600	\$ 644,423	\$ 22,823
Interest	500	500	320	(180)
Other				
Special assessments	-	-	1,700	1,700
TOTAL REVENUES	517,100	622,100	646,443	24,343
EXPENDITURES				
Current				
Public safety	517,100	622,100	615,241	6,859
NET CHANGE IN FUND BALANCE	-0-	-0-	31,202	31,202
Fund balance, beginning of year	60,405	60,405	60,405	-0-
Fund balance, end of year	<u>\$ 60,405</u>	<u>\$ 60,405</u>	<u>\$ 91,607</u>	<u>\$ 31,202</u>

Township of Bruce

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended March 31, 2014

NOTE A: BUDGET/GAAP RECONCILIATION

The Township of Bruce budgets the activities of the Cable Franchise Fund separately from the General Fund. For financial reporting purposes and the GAAP-basis basic financial statements, however, the activity of the Cable Franchise Fund is combined with the General Fund as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The budgetary perspective difference shown on the General Fund Budgetary Comparison Schedule (Non-GAAP basis) reconciles the change in fund balance to the GAAP basis basic financial statements and the details related to these amounts are as follows:

Net change in fund balance (budgetary basis)	\$ 29,770
To adjust charges for services pertaining to Cable Franchise Fund	85,334
To adjust interest revenue pertaining to Cable Franchise Fund	7
To adjust public works expenditures pertaining to Cable Franchise Fund	<u>(81,431)</u>
Net change in fund balance (GAAP basis)	<u>\$ 33,680</u>

OTHER SUPPLEMENTARY INFORMATION

Township of Bruce
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 March 31, 2014

	Capital Projects Funds		Total
	Improvement Revolving Fund	Special Assessment District Fund	
ASSETS			
Cash and cash equivalents	\$ 2,701	\$ -	\$ 2,701
Special assessment receivable	-	44,285	44,285
Due from other funds	302,588	2,309	304,897
 TOTAL ASSETS	 \$ 305,289	 \$ 46,594	 \$ 351,883
LIABILITIES			
Due to other funds	\$ 15	\$ 43,727	\$ 43,742
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	43,789	43,789
FUND BALANCES (DEFICITS)			
Restricted	207,686	-	207,686
Assigned	97,588	-	97,588
Unassigned	-	(40,922)	(40,922)
 TOTAL FUND BALANCES (DEFICITS)	 305,274	 (40,922)	 264,352
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	 \$ 305,289	 \$ 46,594	 \$ 351,883

Township of Bruce

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended March 31, 2014

	Capital Projects Funds		Total
	Improvement Revolving Fund	Special Assessment District Fund	
REVENUES			
Other			
Special assessments	\$ -	\$ 7,937	\$ 7,937
EXPENDITURES			
Current			
Public works	-	-	-0-
EXCESS OF REVENUES OVER EXPENDITURES	-0-	7,937	7,937
OTHER FINANCING SOURCES			
Transfers in	97,588	-	97,588
NET CHANGE IN FUND BALANCES	97,588	7,937	105,525
Fund balances (deficits), beginning of year	207,686	(48,859)	158,827
Fund balances (deficits), end of year	\$ 305,274	\$ (40,922)	\$ 264,352

Township of Bruce

Fiduciary Funds

COMBINING STATEMENT OF ASSETS AND LIABILITIES

March 31, 2014

	<u>General Agency Fund</u>	<u>Current Tax Collection Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 121,098	\$ -	\$ 121,098
Due from others	570	-	570
Due from other governmental units	-	35,202	35,202
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 121,668</u>	<u>\$ 35,202</u>	<u>\$ 156,870</u>
LIABILITIES			
Accrued and other liabilities	\$ 670	\$ -	\$ 670
Due to other governmental units	1,829	35,202	37,031
Deposits	119,169	-	119,169
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>\$ 121,668</u>	<u>\$ 35,202</u>	<u>\$ 156,870</u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA



3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS

To the Board of Trustees
Township of Bruce
Macomb County, Michigan

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bruce (the Township) as of and for the year ended March 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the 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 the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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 Township's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in internal control to be a material weakness:

MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries for the proper recognition of various financial statements amounts were proposed by the auditors. These misstatements were not detected by the Township's internal control over financial reporting. These entries were necessary to adjust the water system special assessment, capital outlay, accounts payable, and long-term debt. A similar issue was noted and reported in the prior year audit comments.

Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), including the proper recording of journal entries to assure the trial balances from which the financial statements are prepared are in conformity with U.S. generally accepted accounting principles.

We recommend that the Township take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

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. We consider the following deficiency in internal control to be a significant deficiency:

USE OF TOWNSHIP'S EMPLOYER IDENTIFICATION NUMBER (EIN)

The Township's Fire Department has a deposit account with the local bank under the Township's employer identification number. However, this account is not recorded on the Township's general ledger.

The Township's employer identification number should not be used to open bank accounts that are not under the Township management's control.

We recommend the Township contact the bank with which it does business and take the necessary steps to have the Township's identifying information removed from this account that is not under control of the Township's management.

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 the following instances of noncompliance and other matters:

FUND BALANCE DEFICITS

At the end of the fiscal year, the Special Assessment District Fund reported a fund balance deficit. Michigan Public Act 140 of 1971 provides that a Township ending its fiscal year with funds in a deficit condition shall formulate a deficit elimination plan. The Township submitted an original deficit elimination plan for the Special Assessment District Fund to the Michigan Department of Treasury after the end of the previous fiscal year. The Township will be required to update the plan on an annual basis.

We recommend the Township update the Special Assessment District Fund's deficit elimination plan for submission to the Michigan Department of Treasury. We also recommend the Township utilize budgetary controls to limit expenditures and/or transfer funds as needed to alleviate deficits.

ENTERPRISE FUND ACTIVITIES

Enterprise funds operate in many ways like private-sector businesses. Enterprise fund accounting is designed to highlight the extent to which fees and charges are sufficient to cover the cost of providing goods and services.

During our analysis of the results of operations of the enterprise funds, it was noted that the Sewer System Fund had an operating loss this year. This fund also had an operating loss in each of the previous five fiscal years. While the Township did raise rates in 2013, the rate increase was not sufficient to cover all operating expenses (including depreciation) in the current year. A similar issue was noted and reported in the prior year audit comments.

We recommend the Township perform a five-year plan/rate study to determine whether the Township will be able to sustain operations with the current rates being charged to the System's customers.

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 20, 2014