

**Township of Bruce
Macomb County, Michigan**

FINANCIAL STATEMENTS

March 31, 2015

Township of Bruce
Macomb County, Michigan
March 31, 2015

BOARD OF TRUSTEES

Richard Cory	Supervisor
Susan Brockmann	Clerk
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Township of Bruce
 TABLE OF CONTENTS
 March 31, 2015

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-vii
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3-4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	5
Statement of Revenues, Expenditures, and Changes in Fund Balances	6-7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	8
Proprietary Funds	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Fund Net Position	10
Statement of Cash Flows	11-12
Fiduciary Funds	
Statement of Assets and Liabilities	13
Notes to Financial Statements	14-31
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund	
Budgetary Comparison Schedule (Non-GAAP Basis)	32-33
Fire Fund	
Budgetary Comparison Schedule	34
Advanced Life Support Fund	
Budgetary Comparison Schedule	35
Other Post-Employment Benefits	
Schedule of Funding Progress	36
Schedule of Employer Contributions	36
Notes to Required Supplementary Information	37
OTHER SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet	38
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	39
Fiduciary Funds	
Combining Statement of Assets and Liabilities	40

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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, 2015, 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, 41 percent, and 0 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, 2015, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and schedules of funding progress and employer contributions, 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 and fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor and fiduciary 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 and fiduciary 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, 2015

Township of Bruce

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2015

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, 2015. 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, 2015:

- The Township's net position in the governmental activities decreased by \$785,445 during the 2014-2015 fiscal year.
- Charges for services decreased approximately 15% in the governmental activities. This decrease is consistent with a decrease in the number of ambulance runs.

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, 2015

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, and Advanced Life Support funds, all of which are considered to be major funds. The Romeo Service Contract, Improvement Revolving, and Special Assessment District funds 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 14-31 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, 2014 and March 31, 2015.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$ 4,404,669	\$ 4,673,510	\$ 129,886	\$ 280,435	\$ 4,534,555	\$ 4,953,945
Capital assets	2,883,857	2,817,833	6,993,250	7,068,426	9,877,107	9,886,259
Total assets	7,288,526	7,491,343	7,123,136	7,348,861	14,411,662	14,840,204
Deferred outflows of resources	-	-	280,476	295,238	280,476	295,238
Liabilities						
Current liabilities	444,804	380,470	276,175	223,465	720,979	603,935
Noncurrent liabilities	4,043,219	3,606,638	3,794,107	4,005,591	7,837,326	7,612,229
Total liabilities	4,488,023	3,987,108	4,070,282	4,229,056	8,558,305	8,216,164
Net position						
Net investment in capital assets	2,883,857	2,817,833	2,987,659	2,896,351	5,871,516	5,714,184
Restricted	1,770,192	2,112,784	-	-	1,770,192	2,112,784
Unrestricted	(1,853,546)	(1,426,382)	345,671	518,692	(1,507,875)	(907,690)
Total net position	\$ 2,800,503	\$ 3,504,235	\$ 3,333,330	\$ 3,415,043	\$ 6,133,833	\$ 6,919,278

Township of Bruce

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2015

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 by \$6,133,833 as of March 31, 2015. 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 95%) reflects its net 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 \$785,445 during the current year as indicated below.

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Revenue						
Program revenue						
Charges for services	\$ 1,126,569	\$ 1,331,367	\$ 417,545	\$ 340,355	\$ 1,544,114	\$ 1,671,722
Operating grants and contributions	56,167	32,979	66,594	9,155	122,761	42,134
Capital grants and contributions	11,907	13,509	-	-	11,907	13,509
General revenue						
Property taxes	1,954,435	1,894,718	-	-	1,954,435	1,894,718
State shared revenue	535,452	513,700	-	-	535,452	513,700
Investment earnings	6,952	4,495	41,228	44,814	48,180	49,309
Change in equity interest in joint ventures	-	25,955	-	-	-0-	25,955
Miscellaneous	29,288	61,409	-	-	29,288	61,409
Transfers	-	(26,562)	-	26,562	-0-	-0-
Total revenue	3,720,770	3,851,570	525,367	420,886	4,246,137	4,272,456
Program expenses						
General government	851,222	818,408	-	-	851,222	818,408
Public safety	3,137,106	3,212,776	-	-	3,137,106	3,212,776
Public works	388,681	260,784	-	-	388,681	260,784
Recreation and culture	30,071	-	-	-	30,071	-0-
Health and welfare	17,422	29,986	-	-	17,422	29,986
Sewer system	-	-	535,378	589,983	535,378	589,983
Water system	-	-	71,702	86,735	71,702	86,735
Total program expenses	4,424,502	4,321,954	607,080	676,718	5,031,582	4,998,672
Change in net position	\$ (703,732)	\$ (470,384)	\$ (81,713)	\$ (255,832)	\$ (785,445)	\$ (726,216)

Governmental Activities

The net position of the Township's governmental activities decreased \$703,732 during fiscal year 2015. The Township incurred governmental expenses of \$4,424,502 during fiscal year 2015, an increase of approximately 2% over fiscal year 2014. The Township's decrease in net position was \$125,823 more than in fiscal year 2014 as a result of the Township's decline in ambulance runs and increase in public works projects. 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 71% of the total expenses and includes fire and ambulance services.

Township of Bruce

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2015

Business-type Activities

The net position of the Township's business-type activities decreased \$148,307 during fiscal year 2015. Although the total expenses decreased approximately 10% and revenues increased approximately 25%, the business-type activities decreased overall as the expenses continue to be more than the revenue. The majority of the revenue is generated through charges for services, which makes up approximately 79% 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, 2015, were the General Fund, Fire Fund, and Advanced Life Support 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 \$568,509 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 \$2,777,586 of which \$2,489,327 were for fire and ambulance services. The remainder expenditures were for capital outlay.

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 negative \$147,191 and a positive \$492,862, respectively. The decrease in net position for the Sewer System was \$69,692; while the decrease in net position for the Water System was \$12,021. 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. Even after all budget adjustments were made, the Township continued to anticipate no usage of fund balance although both the General Fund's budgeted revenues and expenditures were increased by a total of \$129,860 throughout the year. Actual expenditures came in approximately \$39,661 under the final budgeted amount adopted by the Township's Board of Trustees. Actual revenues were \$12,653 less than the final anticipated amount with the net change in fund balance being an increase of \$26,368, before GAAP-basis adjustments.

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year, the Township had approximately \$9,877,1073 invested in a broad range of governmental and business-type capital assets, including buildings, land, vehicles, equipment, and utilities, net of accumulated depreciation. During the fiscal year 2015, the most significant capital asset additions were the purchase of an ambulance and a used transformer spreader. 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, 2015

Long-term Debt. The Township's long-term debt decreased by approximately \$180,863 during fiscal year 2015. 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 \$182,232 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, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,084,157	\$ 148,482	\$ 2,232,639
Current portion of receivables	236,678	136,197	372,875
Due from other governmental units	132,104	41,108	173,212
Internal balances	677,564	(677,564)	-0-
Prepays	21,539	-	21,539
Total current assets	3,152,042	(351,777)	2,800,265
Noncurrent assets			
Internal balances	77,869	(77,869)	-0-
Noncurrent portion of receivables	21,520	559,532	581,052
Investment in Romeo, Washington, Bruce Parks and Recreation Commission	799,415	-	799,415
Investment in Washington and Bruce Senior Transportation through Advanced Reservation Commission	353,823	-	353,823
Capital assets not being depreciated	774,963	79,094	854,057
Capital assets being depreciated, net	2,108,894	6,914,156	9,023,050
Total noncurrent assets	4,136,484	7,474,913	11,611,397
TOTAL ASSETS	7,288,526	7,123,136	14,411,662
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges, net of amortization	-	280,476	280,476
LIABILITIES			
Current liabilities			
Accounts payable	36,420	64,446	100,866
Accrued wages	85,692	245	85,937
Accrued interest payable	-	-	-0-
Due to other governmental units	73,839	-	73,839
Unearned revenue	127,812	-	127,812
Current portion of compensated absences	121,041	-	121,041
Current portion of long-term debt	-	211,484	211,484
Total current liabilities	444,804	276,175	720,979
Noncurrent liabilities			
Noncurrent portion of compensated absences	61,191	-	61,191
Noncurrent portion of long-term debt	-	3,794,107	3,794,107
Net other post-employment benefits obligation	3,982,028	-	3,982,028
Total noncurrent liabilities	4,043,219	3,794,107	7,837,326
TOTAL LIABILITIES	4,488,023	4,070,282	8,558,305
NET POSITION			
Net investment in capital assets	2,883,857	2,987,659	5,871,516
Restricted			
Capital projects	207,686	-	207,686
Public safety	1,562,506	-	1,562,506
Unrestricted	(1,853,546)	345,671	(1,507,875)
TOTAL NET POSITION	\$ 2,800,503	\$ 3,333,330	\$ 6,133,833

See accompanying notes to financial statements.

Township of Bruce
STATEMENT OF ACTIVITIES
Year Ended March 31, 2015

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	\$ 851,222	\$ 315,296	\$ -	\$ -	\$ (535,926)	\$ -	\$ (535,926)
Public safety	3,137,106	811,102	-	-	(2,326,004)	-	(2,326,004)
Public works	388,681	171	56,167	11,907	(320,436)	-	(320,436)
Recreation and culture	30,071	-	-	-	(30,071)	-	(30,071)
Health and welfare	17,422	-	-	-	(17,422)	-	(17,422)
Total governmental activities	4,424,502	1,126,569	56,167	11,907	(3,229,859)	-0-	(3,229,859)
Business-type activities							
Sewer system	535,378	387,137	66,594	-	-	(81,647)	(81,647)
Water system	71,702	30,408	-	-	-	(41,294)	(41,294)
Total business-type activities	607,080	417,545	66,594	-0-	-0-	(122,941)	(122,941)
Total government	<u>\$ 5,031,582</u>	<u>\$ 1,544,114</u>	<u>\$ 122,761</u>	<u>\$ 11,907</u>	(3,229,859)	(122,941)	(3,352,800)
General revenues							
Property taxes					1,954,435	-	1,954,435
State shared revenues					535,452	-	535,452
Investment earnings					6,952	41,228	48,180
Miscellaneous					29,288	-	29,288
Total general revenues					2,526,127	41,228	2,567,355
Change in net position					(703,732)	(81,713)	(785,445)
Net position, beginning of the year					3,504,235	3,415,043	6,919,278
Net position, end of the year					<u>\$ 2,800,503</u>	<u>\$ 3,333,330</u>	<u>\$ 6,133,833</u>

See accompanying notes to financial statements.

Township of Bruce

Governmental Funds

BALANCE SHEET

March 31, 2015

	General Fund	Fire Fund	Advanced Life Support Fund
ASSETS			
Cash and cash equivalents	\$ 358,538	\$ 768,395	\$ 804,574
Receivables			
Accounts	25,046	44,270	45,925
Taxes	18,050	29,471	43,287
Special assessments	1,644	-	-
Long-term receivable	16,500	-	-
Due from other governmental units	132,104	-	-
Due from other funds	499,129	28,869	2,408
Advances to other funds	77,869	-	-
Prepays	6,948	9,020	5,571
	<u>\$ 1,135,828</u>	<u>\$ 880,025</u>	<u>\$ 901,765</u>
TOTAL ASSETS			
LIABILITIES			
Accounts payable	\$ 14,975	\$ 13,714	\$ 7,731
Accrued wages	12,572	22,849	50,271
Due to other funds	2	2,407	-
Due to other governmental units	73,839	-	-
Unearned revenue	5,500	-	122,312
	<u>106,888</u>	<u>38,970</u>	<u>180,314</u>
TOTAL LIABILITIES			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	12,644	-	-
FUND BALANCES			
Nonspendable	84,817	9,020	5,571
Restricted	-	832,035	715,880
Assigned	222,236	-	-
Unassigned	709,243	-	-
	<u>1,016,296</u>	<u>841,055</u>	<u>721,451</u>
TOTAL FUND BALANCES			
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	<u>\$ 1,135,828</u>	<u>\$ 880,025</u>	<u>\$ 901,765</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total
\$ 152,650	\$ 2,084,157
-	115,241
-	90,808
34,005	35,649
-	16,500
-	132,104
205,000	735,406
-	77,869
-	21,539
<u>\$ 391,655</u>	<u>\$ 3,309,273</u>
\$ -	\$ 36,420
-	85,692
55,433	57,842
-	73,839
-	127,812
<u>55,433</u>	<u>381,605</u>
33,526	46,170
-	99,408
207,686	1,755,601
123,399	345,635
(28,389)	680,854
<u>302,696</u>	<u>2,881,498</u>
<u>\$ 391,655</u>	<u>\$ 3,309,273</u>

Township of Bruce

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

March 31, 2015

Total fund balances - governmental funds \$ 2,881,498

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. 1,153,238

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	\$ 7,959,699	
Accumulated depreciation is	<u>(5,075,842)</u>	

Capital assets, net		2,883,857
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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		46,170
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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	(182,232)	
Net other post-employment benefits obligation	<u>(3,982,028)</u>	

(4,164,260)

Net position of governmental activities \$ 2,800,503

Township of Bruce

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2015

	General Fund	Fire Fund	Advanced Life Support Fund
REVENUES			
Taxes	\$ 484,348	\$ 655,466	\$ 956,569
Licenses and permits	79,200	-	-
Intergovernmental	591,619	-	-
Charges for services	104,919	129,934	686,179
Interest	1,843	1,872	1,138
Other	29,361	3,023	173
	<u>1,291,290</u>	<u>790,295</u>	<u>1,644,059</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	568,509	-	-
Public safety	-	701,524	1,787,803
Public works	359,491	-	-
Other	277,469	-	-
Capital outlay	26,210	119,291	168,968
	<u>1,231,679</u>	<u>820,815</u>	<u>1,956,771</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	59,611	(30,520)	(312,712)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	11,958	91,607
Transfers out	(26,451)	-	(11,318)
	<u>(26,451)</u>	<u>11,958</u>	<u>80,289</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	33,160	(18,562)	(232,423)
Fund balances, beginning of year	983,136	859,617	953,874
Fund balances, end of year	<u>\$ 1,016,296</u>	<u>\$ 841,055</u>	<u>\$ 721,451</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total
\$ -	\$ 2,096,383
-	79,200
-	591,619
-	921,032
-	4,853
<u>12,533</u>	<u>45,090</u>
12,533	3,738,177
-	568,509
-	2,489,327
-	359,491
-	277,469
-	<u>314,469</u>
<u>-0-</u>	<u>4,009,265</u>
12,533	(271,088)
25,811	129,376
<u>(91,607)</u>	<u>(129,376)</u>
<u>(65,796)</u>	<u>-0-</u>
(53,263)	(271,088)
<u>355,959</u>	<u>3,152,586</u>
<u>\$ 302,696</u>	<u>\$ 2,881,498</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, 2015

Net change in fund balances - total governmental funds **\$ (271,088)**

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	\$ (30,071)	
Washington and Bruce Townships Senior Transportation through Advanced Reservation Commission (S.T.A.R.)	<u>(17,422)</u>	
		(47,493)

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	325,617	
Depreciation	<u>(259,593)</u>	
Excess of capital outlay over depreciation expense		66,024

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		(17,407)
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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	14,379	
(Increase) in net other post-employment benefits obligation	<u>(448,147)</u>	
		<u>(433,768)</u>

Change in net position of governmental activities **\$ (703,732)**

Township of Bruce

Proprietary Funds

STATEMENT OF NET POSITION

March 31, 2015

	Sewer System Fund	Water System Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 20,210	\$ 128,272	\$ 148,482
Receivables			
Customers	84,201	367	84,568
Current portion of special assessments	24,184	27,445	51,629
Due from other governmental units	41,108	-	41,108
Due from other funds	-	30,164	30,164
	<u>169,703</u>	<u>186,248</u>	<u>355,951</u>
Total current assets			
Noncurrent assets			
Noncurrent portion of special assessments receivable	150,206	409,326	559,532
Capital assets not being depreciated	79,094	-	79,094
Capital assets, net of accumulated depreciation	<u>6,029,144</u>	<u>885,012</u>	<u>6,914,156</u>
	<u>6,258,444</u>	<u>1,294,338</u>	<u>7,552,782</u>
Total noncurrent assets			
	<u>6,428,147</u>	<u>1,480,586</u>	<u>7,908,733</u>
TOTAL ASSETS			
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges, net of amortization	280,476	-	280,476
LIABILITIES			
Current liabilities			
Accounts payable	64,042	404	64,446
Accrued wages	245	-	245
Due to other funds	605,420	102,308	707,728
Current portion of long-term debt	<u>177,284</u>	<u>34,200</u>	<u>211,484</u>
	846,991	136,912	983,903
Total current liabilities			
Noncurrent liabilities			
Advances from other funds	77,869	-	77,869
Noncurrent portion of long-term debt	<u>3,316,107</u>	<u>478,000</u>	<u>3,794,107</u>
	<u>3,393,976</u>	<u>478,000</u>	<u>3,871,976</u>
Total noncurrent liabilities			
	<u>4,240,967</u>	<u>614,912</u>	<u>4,855,879</u>
TOTAL LIABILITIES			
NET POSITION			
Net investment in capital assets	2,614,847	372,812	2,987,659
Unrestricted	<u>(147,191)</u>	<u>492,862</u>	<u>345,671</u>
	<u>\$ 2,467,656</u>	<u>\$ 865,674</u>	<u>\$ 3,333,330</u>
TOTAL NET POSITION			

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, 2015

	Sewer System Fund	Water System Fund	Total
OPERATING REVENUES			
Charges for services	\$ 387,137	\$ 30,408	\$ 417,545
OPERATING EXPENSES			
Cost of sewage disposal	256,651	-	256,651
Operation and maintenance	23,698	29,448	53,146
General and administrative	5,569	-	5,569
Depreciation and amortization	151,357	16,191	167,548
TOTAL OPERATING EXPENSES	<u>437,275</u>	<u>45,639</u>	<u>482,914</u>
OPERATING (LOSS)	(50,138)	(15,231)	(65,369)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	11,955	29,273	41,228
Interest and fees expense	<u>(98,103)</u>	<u>(26,063)</u>	<u>(124,166)</u>
NONOPERATING REVENUES (EXPENSES)	<u>(19,554)</u>	<u>3,210</u>	<u>(16,344)</u>
CHANGE IN NET POSITION	(69,692)	(12,021)	(81,713)
Net position, beginning of year	<u>2,537,348</u>	<u>877,695</u>	<u>3,415,043</u>
Net position, end of year	<u>\$ 2,467,656</u>	<u>\$ 865,674</u>	<u>\$ 3,333,330</u>

See accompanying notes to financial statements.

Township of Bruce

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended March 31, 2015

	Sewer System Fund	Water System Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 424,974	\$ 88,623	\$ 513,597
Cash paid to other governmental units	(31,953)	-	(31,953)
Cash paid to suppliers	(270,500)	(31,595)	(302,095)
Cash paid to employees	(5,561)	-	(5,561)
	<u>116,960</u>	<u>57,028</u>	<u>173,988</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES			
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Payment (receipt) of interfund balances	(24,566)	456	(24,110)
	<u>42,028</u>	<u>456</u>	<u>42,484</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments on borrowings	(135,000)	(30,000)	(165,000)
Purchase of capital assets	(79,094)	-	(79,094)
Interest and fees paid	(98,103)	(26,063)	(124,166)
	<u>(312,197)</u>	<u>(56,063)</u>	<u>(368,260)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES			
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	11,955	29,273	41,228
	<u>11,955</u>	<u>29,273</u>	<u>41,228</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	(141,254)	30,694	(110,560)
Cash and cash equivalents, beginning of year	<u>161,464</u>	<u>97,578</u>	<u>259,042</u>
Cash and cash equivalents, end of year	<u>\$ 20,210</u>	<u>\$ 128,272</u>	<u>\$ 148,482</u>

Township of Bruce

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended March 31, 2015

	<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)	\$ (50,138)	\$ (15,231)	\$ (65,369)
Adjustments to reconcile operating (loss) to net cash provided by operating activities			
Depreciation and amortization	151,357	16,191	167,548
(Increase) decrease in:			
Receivables	37,837	58,215	96,052
Due from other governmental units	(31,953)	-	(31,953)
Increase (decrease) in:			
Accounts payable	9,849	14	9,863
Accrued wages	8	-	8
Accrued liabilities	-	(2,161)	(2,161)
	<u> </u>	<u> </u>	<u> </u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 116,960</u>	<u>\$ 57,028</u>	<u>\$ 173,988</u>

See accompanying notes to financial statements.

Township of Bruce

Fiduciary Funds

STATEMENT OF ASSETS AND LIABILITIES

March 31, 2015

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 142,769
Due from others	558
Due from other governmental units	<u>38,276</u>
TOTAL ASSETS	<u>\$ 181,603</u>
LIABILITIES	
Accrued and other liabilities	\$ 3,969
Due to other governmental units	37,613
Deposits	<u>140,021</u>
TOTAL LIABILITIES	<u>\$ 181,603</u>

See accompanying notes to financial statements.

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

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 \$799,415 and \$353,823 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, 2015

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, 2015, the Township passed through \$83,255.

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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

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, 2015

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, 2015

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, when applicable, 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, when applicable, 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, 2015

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, 2015, 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, 2015, 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 2014 levy for the property within the Township was \$416,551,449.

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, 2015

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, 2015, the carrying amount of the Township's deposits was \$2,374,658 and the bank balance was \$2,429,711.

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, 2015, the Township's accounts were federally insured for \$751,729 and the amount of \$1,677,982 was uninsured and uncollateralized.

The following summarizes the categorizations of these amounts as of March 31, 2015:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	<u>\$ 2,232,639</u>	<u>\$ 142,769</u>	<u>\$ 2,375,408</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, 2015

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, 2015:

<u>Year Ended 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, 2015, are as follows:

Due to General Fund from:	
Sewer System Fund	\$ 370,256
Water System Fund	102,308
Nonmajor governmental funds	<u>26,565</u>
	<u>\$ 499,129</u>
Due to Fire Fund from:	
General Fund	\$ 1
Nonmajor governmental funds	<u>28,868</u>
	<u>\$ 28,869</u>
Due to Advanced Life Support Fund from:	
General Fund	\$ 1
Fire Fund	<u>2,407</u>
	<u>\$ 2,408</u>

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

NOTE D: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

Due to nonmajor governmental funds from:	
Sewer System Fund	<u>\$ 205,000</u>
Due to Water System Fund from:	
Sewer System Fund	<u>\$ 30,164</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, 2015:

Advances from General Fund to:	
Sewer System Fund	<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 Fire Fund from:	
General Fund	\$ 640
Advanced Life Support	<u>11,318</u>
	<u>\$ 11,958</u>
Transfer to Advanced Life Support Fund from:	
Nonmajor governmental funds	<u>\$ 91,607</u>
Transfer to nonmajor governmental funds from:	
General Fund	<u>\$ 25,811</u>

Township of Bruce
NOTES TO FINANCIAL STATEMENTS
March 31, 2015

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2015, was as follows:

Governmental activities

	Balance Apr. 1, 2014	Additions	Deletions	Balance Mar. 31, 2015
Capital assets not being depreciated				
Land	\$ 680,770	\$ -	\$ -	\$ 680,770
Construction in progress	-	94,193	-	94,193
Subtotal	680,770	94,193	-0-	774,963
Capital assets being depreciated				
Buildings and improvements	3,838,533	11,750	-	3,850,283
Fire vehicles and equipment	2,862,368	194,066	(9,025)	3,047,409
Machinery and equipment	201,468	19,095	-	220,563
Vehicles	-	6,513	-	6,513
Election equipment	59,968	-	-	59,968
Subtotal	6,962,337	231,424	(9,025)	7,184,736
Less accumulated depreciation for:				
Buildings and improvements	(2,331,640)	(100,139)	-	(2,431,779)
Fire vehicles and equipment	(2,280,640)	(148,292)	9,025	(2,419,907)
Machinery and equipment	(160,535)	(7,359)	-	(167,894)
Vehicles	-	(1,086)	-	(1,086)
Election equipment	(52,459)	(2,717)	-	(55,176)
Subtotal	(4,825,274)	(259,593)	9,025	(5,075,842)
Net capital assets being depreciated	2,137,063	(28,169)	-0-	2,108,894
Capital assets, net	<u>\$ 2,817,833</u>	<u>\$ 66,024</u>	<u>\$ -0-</u>	<u>\$ 2,883,857</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 111,301
Public safety	148,292
	<u>\$ 259,593</u>

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

NOTE G: CAPITAL ASSETS - CONTINUED

Business-type activities

	Balance Apr. 1, 2014	Additions	Deletions	Balance Mar. 31, 2015
Capital assets not being depreciated				
Construction in progress - sewer system	\$ -	\$ 79,094	\$ -	\$ 79,094
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	(2,164,710)	(138,879)	-	(2,303,589)
Water system	(23,088)	(15,391)	-	(38,479)
Subtotal	(2,187,798)	(154,270)	-0-	(2,342,068)
Net capital assets being depreciated	7,068,426	(154,270)	-0-	6,914,156
Capital assets, net	<u>\$ 7,068,426</u>	<u>\$ (75,176)</u>	<u>\$ -0-</u>	<u>\$ 6,993,250</u>

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

Sewer system	\$ 138,879
Water system	15,391
	<u>\$ 154,270</u>

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, 2015:

	Balance Apr. 1, 2014	Additions	Deletions	Balance Mar. 31, 2015	Amounts Due Within One Year
Governmental activities					
Compensated absences	\$ 196,611	\$ 116,213	\$ (130,592)	\$ 182,232	\$ 121,041
Business-type activities					
2004 Capital Improvement Bonds	100,000	-	(100,000)	-0-	-
2007 Special Assessment Bonds	300,000	-	(35,000)	265,000	35,000
2010 Special Assessment Bonds	555,000	-	(30,000)	525,000	35,000
Discount	(13,600)	-	800	(12,800)	(800)
2012 Refunding Bonds	3,185,000	-	-	3,185,000	140,000
Premium	45,675	-	(2,284)	43,391	2,284
	4,172,075	-0-	(166,484)	4,005,591	211,484
TOTAL	<u>\$ 4,368,686</u>	<u>\$ 116,213</u>	<u>\$ (297,076)</u>	<u>\$ 4,187,823</u>	<u>\$ 332,525</u>

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

NOTE H: LONG-TERM DEBT - CONTINUED

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 \$182,232 for vacation and sick at March 31, 2015. The amounts of \$121,041 and \$61,191 have been reported as current and noncurrent liabilities, respectively. These liabilities are expected to be liquidated by the General, Fire, and Advance Life Support Funds, as applicable.

Business-type Activities

General Obligation Bonds

\$3,185,000 2012 Refunding Bonds, dated November 30, 2012, due in annual installments ranging from \$135,000 to \$195,000 through October 1, 2033, with interest ranging from 1.50 to 3.00 percent, payable semi-annually.	<u>\$ 3,185,000</u>
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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 4.25 to 4.50 percent, payable semi-annually.	\$ 265,000
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\$640,000 2010 Special Assessment Bonds, dated November 3, 2010, due in annual installments of \$35,000 through April 1, 2030, with interest ranging from 3.75 to 5.20 percent, payable semi-annually.	<u>525,000</u>
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\$ 790,000

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, 2015, 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.

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

NOTE H: LONG-TERM DEBT - CONTINUED

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
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	155,000	71,613	70,000	24,490
2021-2025	820,000	306,613	265,000	74,550
2026-2030	895,000	191,238	175,000	22,750
2031-2034	745,000	56,250	-	-
	<u>\$ 3,185,000</u>	<u>\$ 939,241</u>	<u>\$ 790,000</u>	<u>\$ 248,618</u>

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 13 percent of the total taxes levied for the year ended March 31, 2015.

NOTE J: RISK MANAGEMENT

The Township participates in the Michigan Township Participating Plan for auto, property, general, wrongful acts, electronic data processing (EDP), crime, inland marine, law enforcement, employee benefits, public officials, and casualty losses. Settled claims have not exceeded the amount of insurance coverage in any of the past three (3) fiscal years.

The Township carries commercial insurance for the risk of loss due to workers' compensation claims. Settled claims relating to commercial insurance do not exceed the amount of insurance coverage in any of the past three (3) fiscal years.

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 \$227,357 and the employees contributed \$75,676 during the current year.

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

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, 2015, is as follows:

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

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, 2015, 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.

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

NOTE L: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

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

Annual required contribution (ARC)	\$ 578,158
Interest on net OPEB Obligation	141,355
Adjustment to annual required contribution	<u>(141,355)</u>
Annual OPEB cost (expense)	578,158
Amounts contributed:	
Payments of current premiums (gross of employee reimbursement)	<u>(130,011)</u>
Increase in net OPEB obligation	448,147
Net OPEB obligation - beginning of year	<u>3,533,881</u>
Net OPEB obligation - end of year	<u>\$ 3,982,028</u>

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

	Year Ended March 31,		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
Annual OPEB cost	\$ 585,656	\$ 582,829	\$ 578,158
Percentage contributed	13.7%	14.5%	22.5%
Net OPEB obligation	\$ 3,035,715	\$ 3,533,881	\$ 3,982,028

The funding progress of the plan is as follows:

	Year Ended March 31,	
	<u>2009</u>	<u>2012</u>
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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

NOTE L: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

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.

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.

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

NOTE M: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

	General Fund	Fire Fund	Advance Life Support Fund	Nonmajor Governmental Funds	Total
Fund Balances					
Nonspendable					
Prepays	\$ 6,948	\$ 9,020	\$ 5,571	\$ -	\$ 21,539
Advances	77,869	-	-	-	77,869
Restricted					
Public safety	-	832,035	715,880	-	1,547,915
Capital projects	-	-	-	207,686	207,686
Committed					
Capital projects	-	-	-	123,399	123,399
Assigned					
Post-employment healthcare	150,000	-	-	-	150,000
Cable expenditures	72,236	-	-	-	72,236
Unassigned	709,243	-	-	(28,389)	680,854
	<u>\$ 1,016,296</u>	<u>\$ 841,055</u>	<u>\$ 721,451</u>	<u>\$ 426,095</u>	<u>\$ 3,004,897</u>

NOTE N: FUND EQUITY DEFICITS

The Special Assessment District Fund had a deficit balance at March 31, 2015, of \$28,389. 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.

The Sewer System Fund had a deficit unrestricted net position at March 31, 2015, of \$147,191.

NOTE O: UPCOMING ACCOUNTING PRONOUNCEMENTS

In March 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the Township's 2015-2016 fiscal year.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money weighted rates of return on plan investments. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the Township's 2016-2017 fiscal year.

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2015

NOTE O: UPCOMING ACCOUNTING PRONOUNCEMENTS - CONTINUED

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensibly and comparably measure the annual costs of OPEB 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 during the Township's 2017-2018 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Bruce

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)

Year Ended March 31, 2015

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 464,821	\$ 477,821	\$ 484,348	\$ 6,527
Licenses and permits	61,500	77,300	79,200	1,900
Intergovernmental				
State shared revenue	520,000	520,000	535,452	15,452
Other	6,000	84,660	56,167	(28,493)
Charges for services	19,900	19,900	14,877	(5,023)
Interest	1,671	1,671	1,838	167
Other				
Special assessments	1,644	1,644	1,644	-0-
Miscellaneous	8,500	30,900	27,717	(3,183)
TOTAL REVENUES	1,084,036	1,213,896	1,201,243	(12,653)
EXPENDITURES				
Current				
General government				
Township board	25,012	25,012	23,184	1,828
Supervisor	47,160	47,160	47,160	-0-
Elections	22,000	21,250	19,879	1,371
Assessor	107,130	110,130	110,075	55
Legal fees	12,000	16,500	15,807	693
Clerk	90,840	90,840	92,570	(1,730)
General office	57,304	65,304	64,615	689
Accounting and audit	52,117	52,117	50,694	1,423
Board of Review	2,800	2,800	-	2,800
Tax roll preparation	5,400	4,400	3,942	458
Treasurer	59,660	59,660	59,257	403
Cemeteries	13,800	17,800	17,351	449
Building and grounds	64,300	62,700	63,975	(1,275)
Total general government	559,523	575,673	568,509	7,164
Public works				
Zoning board of appeals	2,100	1,100	663	437
Inspections	101,952	107,452	107,188	264
Street lighting	8,500	10,500	10,327	173
Drains	7,600	86,260	83,149	3,111
Engineering	2,500	2,500	950	1,550
Planning	18,300	20,300	19,074	1,226
Road chloride and paving	31,850	59,350	54,885	4,465
Ordinance enforcement	2,000	-	-	-0-
Total public works	174,802	287,462	276,236	11,226

Township of Bruce

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - CONTINUED

Year Ended March 31, 2015

	<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	\$ 161,000	\$ 173,300	\$ 168,926	\$ 4,374
Pension plan	58,200	66,300	66,503	(203)
Employer payroll taxes	34,850	42,800	42,040	760
Total other	254,050	282,400	277,469	4,931
Capital outlay	69,850	42,550	26,210	16,340
TOTAL EXPENDITURES	<u>1,058,225</u>	<u>1,188,085</u>	<u>1,148,424</u>	<u>39,661</u>
EXCESS OF REVENUES OVER EXPENDITURES	25,811	25,811	52,819	27,008
OTHER FINANCING SOURCES				
Transfers out	<u>(25,811)</u>	<u>(25,811)</u>	<u>(26,451)</u>	<u>(640)</u>
Net change in fund balance (prior to adjustments for GASB Statement No. 54)	<u>\$ -0-</u>	<u>\$ -0-</u>	26,368	<u>\$ 26,368</u>
Net adjustments for GASB Statement No. 54			<u>6,792</u>	
Net change in fund balance, end of year			<u>\$ 33,160</u>	

Township of Bruce

Fire Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 623,868	\$ 625,268	\$ 655,466	\$ 30,198
Charges for services	162,000	162,000	129,934	(32,066)
Interest	2,500	2,500	1,872	(628)
Other				
Special assessments	10,000	10,000	-	(10,000)
Miscellaneous	1,000	3,000	3,023	23
TOTAL REVENUES	799,368	802,768	790,295	(12,473)
EXPENDITURES				
Current				
Public safety	734,800	773,500	701,524	71,976
Capital outlay	64,568	120,268	119,291	977
TOTAL EXPENDITURES	799,368	893,768	820,815	72,953
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	(91,000)	(30,520)	60,480
OTHER FINANCING SOURCES				
Transfers in	-	91,000	11,958	(79,042)
NET CHANGE IN FUND BALANCE	-0-	-0-	(18,562)	(18,562)
Fund balance, beginning of year	859,617	859,617	859,617	-0-
Fund balance, end of year	\$ 859,617	\$ 859,617	\$ 841,055	\$ (18,562)

Township of Bruce
Advanced Life Support Fund
BUDGETARY COMPARISON SCHEDULE
Year Ended March 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 927,659	\$ 927,659	\$ 956,569	\$ 28,910
Charges for services	283,000	773,500	686,179	(87,321)
Interest	1,600	2,100	1,138	(962)
Other				
Special assessments	1,500	3,000	-	(3,000)
Miscellaneous	-	-	173	173
TOTAL REVENUES	1,213,759	1,706,259	1,644,059	(62,200)
EXPENDITURES				
Current				
Public safety	1,204,900	1,791,100	1,787,803	3,297
Capital outlay	8,859	169,459	168,968	491
TOTAL EXPENDITURES	1,213,759	1,960,559	1,956,771	3,788
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	(254,300)	(312,712)	(58,412)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	254,300	91,607	(162,693)
Transfers out	-	-	(11,318)	(11,318)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	254,300	80,289	(174,011)
NET CHANGE IN FUND BALANCE	-0-	-0-	(232,423)	(232,423)
Fund balance, beginning of year	953,874	953,874	953,874	-0-
Fund balance, end of year	<u>\$ 953,874</u>	<u>\$ 953,874</u>	<u>\$ 721,451</u>	<u>\$ (232,423)</u>

Township of Bruce

OTHER POST-EMPLOYMENT BENEFITS

Year Ended March 31, 2015

Schedule of Funding Progress

Actuarial Valuation Date March 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll [(b-a) / c]
2009	\$ -	\$ 6,901,466	\$ 6,901,466	0%	\$ 1,214,152	568%
2012	-	5,599,503	5,599,503	0%	1,317,402	425%

Schedule of Employer Contributions

Year Ended March 31,	Annual OPEB Cost	Percentages of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 585,656	14%	\$ 3,035,715
2014	582,829	15%	3,533,881
2015	578,158	23%	3,982,028

Township of Bruce

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended March 31, 2015

NOTE A: BUDGET/GAAP RECONCILIATION

The Township 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)	\$	26,368
To adjust charges for services pertaining to Cable Franchise Fund		90,042
To adjust interest revenue pertaining to Cable Franchise Fund		5
To adjust public works expenditures pertaining to Cable Franchise Fund		<u>(83,255)</u>
Net change in fund balance (GAAP basis)	<u>\$</u>	<u>33,160</u>

NOTE B: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated. In the budgetary comparison schedules shown as required supplementary information to the basic financial statements, the Township's budgeted expenditures have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level for the General Fund and the Special Revenue Funds.

During the year ended March 31, 2015, the Township incurred expenditures in the General Fund and Advanced Life Support Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Clerk	\$ 90,840	\$ 92,570	\$ 1,730
Building and grounds	62,700	63,975	1,275
Other			
Pension plan	66,300	66,503	203
Transfers out	25,811	26,451	640
Advance Life Support Fund			
Transfers out	-	11,318	11,318

OTHER SUPPLEMENTARY INFORMATION

Township of Bruce
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 March 31, 2015

	Special Revenue Fund	Capital Projects Funds		Total
	Romeo Service Contract	Improvement Revolving	Special Assessment District	
ASSETS				
Cash and cash equivalents	\$ -	\$ 152,650	\$ -	\$ 152,650
Special assessment receivable	-	-	34,005	34,005
Due from other funds	-	205,000	-	205,000
TOTAL ASSETS	\$ -0-	\$ 357,650	\$ 34,005	\$ 391,655
LIABILITIES				
Due to other funds	\$ -	\$ 26,565	\$ 28,868	\$ 55,433
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	33,526	33,526
FUND BALANCES (DEFICITS)				
Restricted	-	207,686	-	207,686
Assigned	-	123,399	-	123,399
Unassigned	-	-	(28,389)	(28,389)
TOTAL FUND BALANCES (DEFICITS)	-0-	331,085	(28,389)	302,696
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	\$ -0-	\$ 357,650	\$ 34,005	\$ 391,655

Township of Bruce

Nonmajor Governmental Funds

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

Year Ended March 31, 2015

	Special	Capital Projects Funds		Total
	Revenue Fund	Improvement	Special	
	Romeo	Revolving	Assessment	
	Service		District	
	Contract			
REVENUES				
Other				
Special assessments	\$ -	\$ -	\$ 12,533	\$ 12,533
EXPENDITURES				
Current				
Public works	-	-	-	-0-
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	12,533	12,533
OTHER FINANCING SOURCES (USES)				
Transfers in	-	25,811	-	25,811
Transfers out	(91,607)	-	-	(91,607)
TOTAL OTHER FINANCING SOURCES (USES)	(91,607)	25,811	-0-	(65,796)
NET CHANGE IN FUND BALANCES	(91,607)	25,811	12,533	(53,263)
Fund balances (deficits), beginning of year	91,607	305,274	(40,922)	355,959
Fund balances (deficits), end of year	\$ -0-	\$ 331,085	\$ (28,389)	\$ 302,696

Township of Bruce

Fiduciary Funds

COMBINING STATEMENT OF ASSETS AND LIABILITIES

March 31, 2015

	General Agency	Current Tax Collection	Total
ASSETS			
Cash and cash equivalents	\$ 142,769	\$ -	\$ 142,769
Due from others	558	-	558
Due from other governmental units	842	37,434	38,276
	<u>144,169</u>	<u>37,434</u>	<u>181,603</u>
TOTAL ASSETS	\$ 144,169	\$ 37,434	\$ 181,603
LIABILITIES			
Accrued and other liabilities	\$ 3,969	\$ -	\$ 3,969
Due to other governmental units	179	37,434	37,613
Deposits	140,021	-	140,021
	<u>144,169</u>	<u>37,434</u>	<u>181,603</u>
TOTAL LIABILITIES	\$ 144,169	\$ 37,434	\$ 181,603

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



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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, 2015, 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 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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:

LOANS TO EMPLOYEES WITHOUT BOARD APPROVAL

During our audit procedures we noted that the Township had provided an education loan to an employee without obtaining Board approval or a written contract. An employee of the Township is attending an EMS academy initially funded by the Township. While the Township is withholding funds from each paycheck for repayment of the loan, there is risk that the employee may terminate employment without repaying the remaining balance. Subsequent to the fiscal year end, an agreement was signed by the employee for the repayment of the outstanding balance of the loan.

LOANS TO EMPLOYEES WITHOUT BOARD APPROVAL - CONTINUED

We recommend that the Township take steps to ensure that loans are provided to employees through the establishment of a Board policy that details specific purposes for such loans (i.e., education, training). If the Board chooses not to adopt such a policy, employee education or training loans should be approved by the Board on a case-by-case basis and documented in the minutes of the meetings.

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 and the Sewer System Fund reported a deficit net position. 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 subsequent to the end of the 2013 fiscal year. The Township will also need to submit a deficit elimination plan for the Sewer System Fund to the Michigan Department of Treasury. The Township will be required to update the plans on an annual basis.

We recommend the Township update the Special Assessment District Fund's deficit elimination plan and develop a written deficit elimination plan for the Sewer System Fund 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 and Water System Fund had an operating loss this year. This Sewer System Fund also had an operating loss in each of the previous six fiscal years. A similar issue was noted and reported in the prior year audit comments.

We recommend the Township refer to the recently completed 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, 2015