

**Township of Bruce
Macomb County, Michigan**

FINANCIAL STATEMENTS

March 31, 2018

Township of Bruce
Macomb County, Michigan
March 31, 2018

BOARD OF TRUSTEES

Richard Cory	Supervisor
Susan Brockmann	Clerk
Deborah Obrecht	Treasurer
Mark Falker	Trustee
Paul Okoniewski	Trustee

Township of Bruce
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INDEPENDENT AUDITOR'S REPORT

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

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, Michigan (the Township), as of and for the year ended March 31, 2018, 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 14 percent, 71 percent, and less than 1 percent, respectively, of the assets, net position, and revenues of the governmental activities. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for governmental activities, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bruce as of March 31, 2018, 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 the schedules for other post-employment benefits, 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 by us and other auditors. In our opinion, based on our audit, 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.

Stevens Kirinovic & Tucker, P.C.

STEVENS, KIRINOVIC & TUCKER, P.C.
Certified Public Accountants

September 20, 2018

Township of Bruce

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2018

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, 2018. 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, 2018:

- The Township's net position in the governmental activities decreased by \$25,381 during the 2017-2018 fiscal year.
- Charges for services in the governmental activities increased by \$252,292 during the 2017-2018 fiscal year.
- The Township's net position in the business-type activities decreased by \$136,334 during the 2017-2018 fiscal year.

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, 2018

The Township maintains five (5) 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 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 14-30 of this report.

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

The Township as a Whole

The following table shows, in a condensed format, a comparative analysis of the net position as of March 31, 2018 and March 31, 2017.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 5,810,374	\$ 5,273,948	\$ (443,217)	\$ (268,777)	\$ 5,367,157	\$ 5,005,171
Capital assets	2,847,562	2,469,420	6,875,050	7,036,502	9,722,612	9,505,922
Total assets	8,657,936	7,743,368	6,431,833	6,767,725	15,089,769	14,511,093
Deferred outflows of resources	-	-	236,190	250,952	236,190	250,952
Liabilities						
Current liabilities	542,268	510,928	312,577	280,413	854,845	791,341
Noncurrent liabilities	6,387,806	5,479,197	3,444,654	3,691,138	9,832,460	9,170,335
Total liabilities	6,930,074	5,990,125	3,757,231	3,971,551	10,687,305	9,961,676
Net position						
Net investment in capital assets	1,993,860	2,064,505	3,183,912	3,123,880	5,177,772	5,188,385
Restricted	2,466,164	2,202,425	-	-	2,466,164	2,202,425
Unrestricted	(2,732,162)	(2,513,687)	(273,120)	(76,754)	(3,005,282)	(2,590,441)
Total net position	\$ 1,727,862	\$ 1,753,243	\$ 2,910,792	\$ 3,047,126	\$ 4,638,654	\$ 4,800,369

Township of Bruce

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2018

Net position may serve over time as a useful indicator of a government's financial position. The Township's governmental activities assets and deferred outflows of resources exceeded liabilities by \$1,727,862 as of March 31, 2018. 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 115%) 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 143%) 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 \$161,715 during the current year as indicated below.

	Governmental Activities		Business-type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
Revenue						
Program revenue						
Charges for services	\$ 1,540,204	\$ 1,287,912	\$ 578,685	\$ 505,050	\$ 2,118,889	\$ 1,792,962
Operating grants and contributions	86,585	6,638	-	-	86,585	6,638
Capital grants and contributions	17,184	5,936	-	2,581	17,184	8,517
General revenue						
Property taxes	2,209,664	2,180,856	-	-	2,209,664	2,180,856
State shared revenue	567,846	551,643	-	-	567,846	551,643
Investment earnings	11,857	11,815	29,406	32,073	41,263	43,888
Change in equity interest in joint ventures	48,160	36,417	-	-	48,160	36,417
Miscellaneous	17,238	139,547	-	-	17,238	139,547
Total revenue	4,498,738	4,220,764	608,091	539,704	5,106,829	4,760,468
Program expenses						
General government	813,213	916,910	-	-	813,213	916,910
Public safety	1,439,310	1,030,985	-	-	1,439,310	3,362,355
Public works	328,342	293,963	-	-	328,342	293,963
Health and welfare	1,931,107	2,337,382	-	-	1,931,107	2,337,382
Sewer system	-	-	534,862	606,401	534,862	606,401
Water system	-	-	209,563	125,394	209,563	125,394
Interest on long-term debt	12,147	13,176	-	-	12,147	13,176
Total program expenses	4,524,119	4,592,416	744,425	731,795	5,268,544	7,655,581
Change in net position	\$ (25,381)	\$ (371,652)	\$ (136,334)	\$ (192,091)	\$ (161,715)	\$ (563,743)

Governmental Activities

The net position of the Township's governmental activities decreased \$25,381 during fiscal year 2018. Although the Township's revenues increased by about 7% and the expenses of \$4,524,119 during fiscal year 2018 decreased by approximately 1% from fiscal year 2017, the Township continues to analyze ways to obtain revenue or cut expenses without losing service as a result of the continued loss in net position. A key element related to the change in net position is the public safety and health and welfare expenses which are approximately 74% of the total expenses and includes fire and ambulance services.

Township of Bruce

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2018

Business-type Activities

The net position of the Township's business-type activities decreased by \$136,334 during fiscal year 2018. Although the total expenses increased approximately 2%, revenues also increased approximately 13%, which still resulted in the business-type activities decreasing 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 95% 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, 2018, 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 \$535,041 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, insurance recoveries, and revenue from the Village of Romeo. The funds incurred total expenditures of \$1,414,870 and \$1,777,737, respectively, of which \$2,656,591 were for fire and ambulance services. The remaining 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 a deficit of \$522,376 and a positive \$249,256, respectively. The decrease in net position for the Sewer System was \$5,729; while the decrease in net position for the Water System was \$130,605. 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 \$118,795 throughout the year. Actual expenditures came in approximately \$106,433 under the final budgeted amount adopted by the Township's Board of Trustees. Actual revenues were \$14,840 less than the final anticipated amount with the net change in fund balance being an increase of \$91,593, before GAAP-basis adjustments.

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year, the Township had approximately \$9,722,612 invested in a broad range of governmental and business-type capital assets, including infrastructure, buildings, land, vehicles, equipment, and utilities, net of accumulated depreciation. During the fiscal year 2018, the most significant capital asset addition was the purchase of a fire truck tanker. Further details related to the Township's capital assets can be found in Note F to the financial statements.

Long-term Debt. The Township's long-term debt increased by approximately \$207,430 during fiscal year 2018. This change was largely related to obtaining a capital lease during the purchase of a fire tanker. The carrying amount of the Township's obligation for compensated absences, included in the long-term debt, was \$167,948 at fiscal year end. Further details related to the Township's long-term debt can be found in Note G to the financial statements.

Township of Bruce

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2018

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 recent 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.

The Board recently expanded the water district to include property adjacent (west) to M53. The purpose was to include Springbrook Estates, mobile home park, so that they can connect to the Township's municipal water system. This will be of mutual benefit to both the park and the Township as it will provide an improved water source to the park and increase revenues to the Township's Water Fund.

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, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,079,439	\$ 232,091	\$ 3,311,530
Current portion of receivables	207,295	167,029	374,324
Due from other governmental units	89,861	-	89,861
Internal balances	1,054,988	(1,054,988)	-0-
Prepays	12,902	837	13,739
	<u>4,444,485</u>	<u>(655,031)</u>	<u>3,789,454</u>
Total current assets			
Noncurrent assets			
Internal balances	77,869	(77,869)	-0-
Noncurrent portion of receivables	59,337	289,683	349,020
Investment in Romeo, Washington, Bruce Parks and Recreation Commission	886,751	-	886,751
Investment in Washington and Bruce Senior Transportation through Advanced Reservation Commission	341,932	-	341,932
Capital assets not being depreciated	636,770	-	636,770
Capital assets being depreciated, net	2,210,792	6,875,050	9,085,842
	<u>4,213,451</u>	<u>7,086,864</u>	<u>11,300,315</u>
Total noncurrent assets			
TOTAL ASSETS			
	<u>8,657,936</u>	<u>6,431,833</u>	<u>15,089,769</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges, net of amortization	-	236,190	236,190
LIABILITIES			
Current liabilities			
Accounts payable	69,393	65,493	134,886
Accrued wages	123,773	600	124,373
Due to other governmental units	42,976	-	42,976
Unearned revenue	113,000	-	113,000
Current portion of compensated absences	114,891	-	114,891
Current portion of long-term debt	78,235	246,484	324,719
	<u>542,268</u>	<u>312,577</u>	<u>854,845</u>
Total current liabilities			
Noncurrent liabilities			
Noncurrent portion of compensated absences	53,057	-	53,057
Noncurrent portion of long-term debt	775,467	3,444,654	4,220,121
Net other post-employment benefits obligation	5,559,282	-	5,559,282
	<u>6,387,806</u>	<u>3,444,654</u>	<u>9,832,460</u>
Total noncurrent liabilities			
TOTAL LIABILITIES			
	<u>6,930,074</u>	<u>3,757,231</u>	<u>10,687,305</u>
NET POSITION			
Net investment in capital assets	1,993,860	3,183,912	5,177,772
Restricted			
Public safety	1,232,014	-	1,232,014
Health and welfare	1,033,600	-	1,033,600
Capital projects	200,550	-	200,550
Unrestricted	(2,732,162)	(273,120)	(3,005,282)
	<u>\$ 1,727,862</u>	<u>\$ 2,910,792</u>	<u>\$ 4,638,654</u>
TOTAL NET POSITION			

See accompanying notes to financial statements.

Township of Bruce
STATEMENT OF ACTIVITIES
Year Ended March 31, 2018

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	\$ 813,213	\$ 350,848	\$ 80,086	\$ -	\$ (382,279)	\$ -	\$ (382,279)
Public safety	1,439,310	341,202	-	-	(1,098,108)	-	(1,098,108)
Public works	328,342	-	6,499	17,184	(304,659)	-	(304,659)
Health and welfare	1,931,107	848,154	-	-	(1,082,953)	-	(1,082,953)
Interest on long-term debt	12,147	-	-	-	(12,147)	-	(12,147)
Total governmental activities	4,524,119	1,540,204	86,585	17,184	(2,880,146)	-0-	(2,880,146)
Business-type activities							
Sewer system	534,862	522,548	-	-	-	(12,314)	(12,314)
Water system	209,563	56,137	-	-	-	(153,426)	(153,426)
Total business-type activities	744,425	578,685	-0-	-0-	-0-	(165,740)	(165,740)
Total government	<u>\$ 5,268,544</u>	<u>\$ 2,118,889</u>	<u>\$ 86,585</u>	<u>\$ 17,184</u>	(2,880,146)	(165,740)	(3,045,886)
General revenues							
Property taxes					2,209,664	-	2,209,664
State shared revenues					567,846	-	567,846
Investment earnings					11,857	29,406	41,263
Change in equity interest related to Romeo, Washington, Bruce							
Parks and Recreation Commission					48,160	-	48,160
Miscellaneous					17,238	-	17,238
Total general revenues					2,854,765	29,406	2,884,171
Change in net position					(25,381)	(136,334)	(161,715)
Net position, beginning of the year					1,753,243	3,047,126	4,800,369
Net position, end of the year					<u>\$ 1,727,862</u>	<u>\$ 2,910,792</u>	<u>\$ 4,638,654</u>

See accompanying notes to financial statements.

Township of Bruce

Governmental Funds

BALANCE SHEET

March 31, 2018

	General Fund	Fire Fund	Advanced Life Support Fund
ASSETS			
Cash and cash equivalents	\$ 527,791	\$ 1,212,403	\$ 1,111,645
Receivables			
Accounts	25,971	46,623	45,773
Taxes	16,898	28,298	40,535
Special assessments	-	-	-
Long-term receivable	49,500	-	-
Due from other governmental units	89,861	-	-
Due from other funds	744,988	11,927	10,500
Advances to other funds	77,869	-	-
Prepays	3,500	6,277	3,125
TOTAL ASSETS	<u>\$ 1,536,378</u>	<u>\$ 1,305,528</u>	<u>\$ 1,211,578</u>
LIABILITIES			
Accounts payable	\$ 34,278	\$ 7,806	\$ 10,109
Accrued wages	24,084	42,445	57,244
Due to other funds	7,803	16,986	-
Due to other governmental units	42,976	-	-
Unearned revenue	5,500	-	107,500
TOTAL LIABILITIES	114,641	67,237	174,853
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	49,500	-	-
FUND BALANCES (DEFICITS)			
Nonspendable	81,369	6,277	3,125
Restricted	-	1,232,014	1,033,600
Assigned	243,211	-	-
Unassigned	1,047,657	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>1,372,237</u>	<u>1,238,291</u>	<u>1,036,725</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	<u>\$ 1,536,378</u>	<u>\$ 1,305,528</u>	<u>\$ 1,211,578</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total
\$ 227,600	\$ 3,079,439
-	118,367
-	85,731
13,034	13,034
-	49,500
-	89,861
324,289	1,091,704
-	77,869
-	12,902
<u>\$ 564,923</u>	<u>\$ 4,618,407</u>
\$ 17,200	\$ 69,393
-	123,773
11,927	36,716
-	42,976
-	113,000
<u>29,127</u>	<u>385,858</u>
13,034	62,534
-	90,771
200,550	2,466,164
327,653	570,864
(5,441)	1,042,216
<u>522,762</u>	<u>4,170,015</u>
<u>\$ 564,923</u>	<u>\$ 4,618,407</u>

Township of Bruce

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

March 31, 2018

Total fund balances - governmental funds \$ 4,170,015

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. 1,228,683

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		\$ 8,214,571
Accumulated depreciation is		<u>(5,367,009)</u>

Capital assets, net 2,847,562

Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:

Unavailable revenue	62,534
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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	(167,948)
Direct obligations	(853,702)
Net other post-employment benefits obligation	<u>(5,559,282)</u>

(6,580,932)

Net position of governmental activities \$ 1,727,862

Township of Bruce

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2018

	General Fund	Fire Fund	Advanced Life Support Fund
REVENUES			
Taxes	\$ 492,410	\$ 752,746	\$ 1,100,462
Special assessments	-	-	-
Licenses and permits	120,820	-	-
Intergovernmental	654,431	-	-
Charges for services	119,628	272,131	848,154
Interest	2,433	5,284	3,078
Other	5,454	3,121	9,864
TOTAL REVENUES	1,395,176	1,033,282	1,961,558
EXPENDITURES			
Current			
General government	535,041	-	-
Public safety	-	930,762	-
Public works	341,930	-	-
Health and welfare	-	-	1,725,829
Other	301,749	-	-
Capital outlay	-	484,108	51,908
Debt service	47,468	-	-
TOTAL EXPENDITURES	1,226,188	1,414,870	1,777,737
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	168,988	(381,588)	183,821
OTHER FINANCING SOURCES (USES)			
Capital lease	-	484,108	-
Transfers in	-	-	-
Transfers out	(75,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(75,000)	484,108	-0-
NET CHANGE IN FUND BALANCES	93,988	102,520	183,821
Fund balances (deficits), beginning of year	1,278,249	1,135,771	852,904
Fund balances (deficits), end of year	<u>\$ 1,372,237</u>	<u>\$ 1,238,291</u>	<u>\$ 1,036,725</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total
\$ -	\$ 2,345,618
7,184	7,184
-	120,820
10,000	664,431
-	1,239,913
1,062	11,857
-	18,439
18,246	4,408,262
-	535,041
-	930,762
23,200	365,130
-	1,725,829
-	301,749
-	536,016
-	47,468
23,200	4,441,995
(4,954)	(33,733)
-	484,108
75,000	75,000
-	(75,000)
75,000	484,108
70,046	450,375
452,716	3,719,640
\$ 522,762	\$ 4,170,015

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, 2018

Net change in fund balances - total governmental funds \$ 450,375

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	\$	48,160	
Washington and Bruce Townships Senior Transportation through Advanced Reservation Commission (S.T.A.R.)		<u>(256)</u>	
			47,904

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		603,977	
Depreciation		<u>(225,835)</u>	
Excess of capital outlay over depreciation expense			378,142

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			42,316
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Certain transactions related to long-term debt are reported as expenditures or other financing sources/uses in governmental funds, but are reflected as increases or decreases of the applicable liability in the statement of net position. In the current year, these amounts consist of:

Capital lease		(484,108)	
Debt principal retirement		<u>35,321</u>	
			(448,787)

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		19,873	
(Increase) in net other post-employment benefits obligation		<u>(515,204)</u>	
			<u>(495,331)</u>

Change in net position of governmental activities \$ (25,381)

Township of Bruce

Proprietary Funds

STATEMENT OF NET POSITION

March 31, 2018

	Sewer System Fund	Water System Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 96,818	\$ 135,273	\$ 232,091
Receivables			
Customers	121,289	3,821	125,110
Current portion of special assessments	21,248	20,671	41,919
Due from other funds	46,340	-	46,340
Prepays	837	-	837
Total current assets	286,532	159,765	446,297
Noncurrent assets			
Noncurrent portion of special assessments receivable	61,136	228,547	289,683
Capital assets, net of accumulated depreciation	6,036,212	838,838	6,875,050
Total noncurrent assets	6,097,348	1,067,385	7,164,733
TOTAL ASSETS	6,383,880	1,227,150	7,611,030
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges, net of amortization	236,190	-	236,190
LIABILITIES			
Current liabilities			
Accounts payable	50,777	14,716	65,493
Accrued wages	600	-	600
Due to other funds	976,988	124,340	1,101,328
Current portion of long-term debt	212,284	34,200	246,484
Total current liabilities	1,240,649	173,256	1,413,905
Noncurrent liabilities			
Advances from other funds	77,869	-	77,869
Noncurrent portion of long-term debt	3,069,254	375,400	3,444,654
Total noncurrent liabilities	3,147,123	375,400	3,522,523
TOTAL LIABILITIES	4,387,772	548,656	4,936,428
NET POSITION			
Net investment in capital assets	2,754,674	429,238	3,183,912
Unrestricted	(522,376)	249,256	(273,120)
TOTAL NET POSITION	\$ 2,232,298	\$ 678,494	\$ 2,910,792

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, 2018

	Sewer System Fund	Water System Fund	Total
OPERATING REVENUES			
Charges for services	\$ 522,548	\$ 56,137	\$ 578,685
OPERATING EXPENSES			
Cost of sewage disposal	258,765	-	258,765
Operation and maintenance	16,085	169,784	185,869
General and administrative	8,921	524	9,445
Depreciation and amortization	158,538	16,192	174,730
TOTAL OPERATING EXPENSES	<u>442,309</u>	<u>186,500</u>	<u>628,809</u>
OPERATING INCOME (LOSS)	80,239	(130,363)	(50,124)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	6,585	22,821	29,406
Interest and fees expense	<u>(92,553)</u>	<u>(23,063)</u>	<u>(115,616)</u>
NONOPERATING REVENUES (EXPENSES)	<u>(85,968)</u>	<u>(242)</u>	<u>(86,210)</u>
CHANGE IN NET POSITION	(5,729)	(130,605)	(136,334)
Net position, beginning of year	<u>2,238,027</u>	<u>809,099</u>	<u>3,047,126</u>
Net position, end of year	<u>\$ 2,232,298</u>	<u>\$ 678,494</u>	<u>\$ 2,910,792</u>

See accompanying notes to financial statements.

Township of Bruce

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended March 31, 2018

	Sewer System Fund	Water System Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 536,566	\$ 52,316	\$ 588,882
Cash paid to suppliers	(278,904)	(159,723)	(438,627)
Cash paid to employees	(8,601)	(524)	(9,125)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	249,061	(107,931)	141,130
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Receipt of interfund balances	38,129	76,871	115,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments on borrowings	(185,000)	(35,000)	(220,000)
Special assessments received	32,106	131,669	163,775
Interest and fees paid	(92,553)	(23,063)	(115,616)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(245,447)	73,606	(171,841)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	6,585	22,821	29,406
NET INCREASE IN CASH AND CASH EQUIVALENTS	48,328	65,367	113,695
Cash and cash equivalents, beginning of year	48,490	69,906	118,396
Cash and cash equivalents, end of year	<u>\$ 96,818</u>	<u>\$ 135,273</u>	<u>\$ 232,091</u>

Township of Bruce

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended March 31, 2018

	<u>Sewer System Fund</u>	<u>Water System Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 80,239	\$ (130,363)	\$ (50,124)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	158,538	16,192	174,730
Decrease (increase) in:			
Receivables	(13,170)	(3,821)	(16,991)
Due from other governmental units	27,188	-	27,188
Prepays	(837)	-	(837)
Increase (decrease) in:			
Accounts payable	(3,217)	10,061	6,844
Accrued wages	320	-	320
	<u>320</u>	<u>-</u>	<u>320</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 249,061</u>	 <u>\$ (107,931)</u>	 <u>\$ 141,130</u>

See accompanying notes to financial statements.

Township of Bruce

Fiduciary Funds

STATEMENT OF ASSETS AND LIABILITIES

March 31, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 121,785
Due from others	684
Due from other governmental units	<u>31,989</u>
TOTAL ASSETS	<u><u>\$ 154,458</u></u>
LIABILITIES	
Due to others	\$ 1,942
Due to other governmental units	37,253
Deposits	<u>115,263</u>
TOTAL LIABILITIES	<u><u>\$ 154,458</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

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 \$886,751 and \$341,932 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, 2018

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

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.

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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

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

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.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

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

6. Budgets and Budgetary Accounting - continued

- 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 fair 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.

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 acquisition cost on the date received.

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

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

11. Capital Assets - continued

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:

Buildings and improvements	15 - 60 years
Fire vehicles and equipment	4 - 12 years
Machinery and equipment	5 - 10 years
Vehicles	3 - 25 years
Election equipment	5 years
Sewer system	60 years
Water system	60 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 that time. 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.

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, 2018, 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.

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

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

14. Long-Term Obligations - continued

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, 2018, the Township levied 0.7724 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 2017 levy for the property within the Township was \$454,996,180.

16. Tax Abatements

The Township's tax revenues have been reduced by tax abatements throughout the Township. Management has determined these amounts to be immaterial to the financial statements.

17. 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.

18. 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.

NOTE B: DEPOSITS

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.

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE B: DEPOSITS - CONTINUED

- 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, 2018, the carrying amount of the Township's deposits was \$3,432,565 and the bank balance was \$3,546,756.

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, 2018, the Township's accounts were federally insured for \$755,533 and the amount of \$2,791,223 was uninsured and uncollateralized.

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

The following summarizes the categorizations of these amounts as of March 31, 2018:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	<u>\$ 3,311,530</u>	<u>\$ 121,785</u>	<u>\$ 3,433,315</u>

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.

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.

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at March 31, 2018, are as follows:

Due to General Fund from:	
Sewer System Fund	\$ 666,988
Water System Fund	78,000
	<u>744,988</u>
	<u>\$ 744,988</u>
Due to Fire Fund from:	
Nonmajor governmental funds	\$ 11,927
	<u>11,927</u>
Due to Advanced Life Support Fund from:	
Fire Fund	\$ 10,500
	<u>10,500</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 7,803
Sewer System Fund	310,000
Fire Fund	6,486
	<u>324,289</u>
	<u>\$ 324,289</u>
Due to Sewer System Fund from:	
Water System Fund	\$ 46,340
	<u>46,340</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 D: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable between funds of the primary government at March 31, 2018:

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

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

NOTE E: 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.

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE E: INTERFUND TRANSFERS - CONTINUED

Transfer to nonmajor governmental funds from:	
General Fund	<u><u>\$ 75,000</u></u>

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2018, was as follows:

Governmental Activities

	Balance Apr. 1, 2017	Additions	Deletions	Balance Mar. 31, 2018
Capital assets not being depreciated				
Land	\$ 636,770	\$ -	\$ -	\$ 636,770
Capital assets being depreciated				
Buildings and improvements	3,789,633	-	-	3,789,633
Fire vehicles and equipment	2,934,376	570,979	-	3,505,355
Machinery and equipment	243,302	-	-	243,302
Vehicles	6,513	-	-	6,513
Election equipment	59,968	32,998	(59,968)	32,998
Subtotal	7,033,792	603,977	(59,968)	7,577,801
Less accumulated depreciation for:				
Buildings and improvements	(2,554,133)	(54,918)	-	(2,609,051)
Fire vehicles and equipment	(2,392,236)	(153,915)	-	(2,546,151)
Machinery and equipment	(191,452)	(13,842)	-	(205,294)
Vehicles	(5,428)	(1,085)	-	(6,513)
Election equipment	(57,893)	(717)	58,610	-0-
Subtotal	(5,201,142)	(224,477)	58,610	(5,367,009)
Net capital assets being depreciated	1,832,650	379,500	(1,358)	2,210,792
Capital assets, net	<u>\$ 2,469,420</u>	<u>\$ 379,500</u>	<u>\$ (1,358)</u>	<u>\$ 2,847,562</u>

The current period depreciation expense of \$224,477 has been adjusted by \$1,358 for the loss on disposal of capital assets during the period, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

Depreciation expense was charged to the following governmental activities:

General government	\$ 71,737
Public safety	95,302
Public works	183
Health and welfare	58,613
	<u>\$ 225,835</u>

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE F: CAPITAL ASSETS - CONTINUED

Business-type Activities

	Balance Apr. 1, 2017	Additions	Deletions	Balance Mar. 31, 2018
Capital assets being depreciated				
Sewer system	\$ 8,763,619	\$ -	\$ -	\$ 8,763,619
Water system	923,491	-	-	923,491
Subtotal	9,687,110	-0-	-0-	9,687,110
Less accumulated depreciation for:				
Sewer system	(2,581,347)	(146,060)	-	(2,727,407)
Water system	(69,261)	(15,392)	-	(84,653)
Subtotal	(2,650,608)	(161,452)	-0-	(2,812,060)
Capital assets, net	<u>\$ 7,036,502</u>	<u>\$ (161,452)</u>	<u>\$ -0-</u>	<u>\$ 6,875,050</u>

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

Sewer system	\$ 146,060
Water system	15,392
	<u>\$ 161,452</u>

NOTE G: 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, 2018:

	Balance Apr. 1, 2017	Additions	Deletions	Balance Mar. 31, 2018	Amounts Due Within One Year
Governmental Activities					
2014 State Infrastructure Bank Loan	\$ 404,915	\$ -	\$ (35,321)	\$ 369,594	\$ 36,381
Capital lease	-	484,108	-	484,108	41,854
Compensated absences	187,821	108,613	(128,486)	167,948	114,891
Total governmental activities	592,736	592,721	(163,807)	1,021,650	193,126
Business-type Activities					
2007 Special Assessment Bonds	195,000	-	(35,000)	160,000	35,000
2010 Special Assessment Bonds	455,000	-	(35,000)	420,000	35,000
Discount	(11,200)	-	800	(10,400)	(800)
2012 Refunding Bonds	2,910,000	-	(135,000)	2,775,000	160,000
Premium	38,823	-	(2,284)	36,539	2,284
2015 State Clean Water Revolving Fund Loan	324,999	-	(15,000)	309,999	15,000
	3,912,622	-0-	(221,484)	3,691,138	246,484
TOTAL	<u>\$ 4,505,358</u>	<u>\$ 592,721</u>	<u>\$ (385,291)</u>	<u>\$ 4,712,788</u>	<u>\$ 439,610</u>

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE G: LONG-TERM DEBT - CONTINUED

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

Governmental Activities

General Obligation Loan

\$472,500 2014 State Infrastructure Bank (SIB) Loan, dated June 23, 2014, due in annual payments of \$47,468 through July 1, 2026, including interest of 3.00 percent, payable annually. \$ 369,594

Capital Lease

\$484,108 Lease purchase agreement dated November 1, 2017, consisted of an obligation for a fire truck tanker. Annual payments are due through November 1, 2027, including interest for 3.19%. The cost of the tanker under the lease purchase agreement amounted to \$484,108. The lease purchase agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum payments as of the date of inception. \$ 484,108

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 \$167,948 for vacation and sick at March 31, 2018. The amounts of \$114,891 and \$53,057 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 \$150,000 to \$195,000 through October 1, 2033, with interest ranging from 2.00 to 3.00 percent, payable semi-annually. \$ 2,775,000

Special Assessment Bonds

\$520,000 2007 Special Assessment Bonds, dated August 1, 2007, due in annual installments ranging from \$35,000 to \$50,000 through April 1, 2022, with interest ranging from 4.40 to 4.50 percent, payable semi-annually. \$ 160,000

\$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 4.00 to 5.20 percent, payable semi-annually. 420,000

\$ 580,000

Revolving Fund Loan

\$340,000 State Clean Water Revolving Fund Loan, dated September 17, 2015, due in annual installments ranging from \$15,000 to \$20,000 through April 1, 2036, with interest of 2.50%, payable semi-annually. \$ 309,999

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE G: LONG-TERM DEBT - CONTINUED

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

Year Ending March 31,	Governmental Activities			
	General Obligation Loan		Capital Lease	
	Principal	Interest	Principal	Interest
2019	\$ 36,381	\$ 11,088	\$ 41,854	\$ 15,459
2020	37,472	9,996	43,191	14,123
2021	38,596	8,872	44,570	12,743
2022	39,754	7,714	45,993	11,320
2023	40,947	6,522	47,462	9,851
2024-2028	176,444	13,429	261,038	25,532
	<u>\$ 369,594</u>	<u>\$ 57,621</u>	<u>\$ 484,108</u>	<u>\$ 89,028</u>

Year Ending March 31,	Business-type Activities					
	General Obligation Bonds		Special Assessment Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 160,000	\$ 74,813	\$ 70,000	\$ 27,430	\$ 15,000	\$ 7,562
2020	155,000	71,613	70,000	24,490	15,000	7,187
2021	155,000	68,513	75,000	21,340	15,000	6,812
2022	150,000	65,413	85,000	17,720	15,000	6,437
2023	175,000	62,038	35,000	13,650	15,000	6,062
2024-2028	880,000	241,289	175,000	40,950	75,000	24,685
2029-2033	915,000	111,300	70,000	3,640	100,000	13,750
2034-2038	185,000	5,550	-	-	59,999	2,250
	<u>\$ 2,775,000</u>	<u>\$ 700,529</u>	<u>\$ 580,000</u>	<u>\$ 149,220</u>	<u>\$ 309,999</u>	<u>\$ 74,745</u>

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, 2018, bonds due and payable October 1, 2018 through October 1, 2033, for the 2004 General Obligation Capital Improvement Bonds in the amount of \$2,575,000 are considered defeased.

NOTE H: 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 boiler and machinery. 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.

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE I: 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 \$242,115 during the current year.

NOTE J: 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 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, 2016, was as follows:

Retirees and beneficiaries receiving benefits	7
Active plan members	<u>19</u>
	<u><u>26</u></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, 2018, the Township has determined an estimated cost of providing post-employment benefits through the alternative measurement method of calculation as of March 31, 2015. 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, 2018

NOTE J: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Funding Progress - continued

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

Annual required contribution (ARC)	\$ 647,259
Interest on net OPEB Obligation	201,763
Adjustment to annual required contribution	<u>(229,276)</u>
Annual OPEB cost (expense)	619,746
Amounts contributed:	
Payments of current premiums (gross of employee reimbursement)	<u>(104,542)</u>
Increase in net OPEB obligation	515,204
Net OPEB obligation - beginning of year	<u>5,044,078</u>
Net OPEB obligation - end of year	<u><u>\$ 5,559,282</u></u>

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

	Year Ended March 31,		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
Annual OPEB cost	\$ 640,622	\$ 631,574	\$ 619,746
Percentage contributed	17.7%	15.3%	16.9%
Net OPEB obligation	\$ 4,509,398	\$ 5,044,078	\$ 5,559,282

The funding progress of the plan is as follows:

	Year Ended March 31,		
	<u>2009</u>	<u>2012</u>	<u>2015</u>
Actuarial value of assets	\$ -	\$ -	\$ -
Actuarial accrued liability (AAL)	6,901,466	5,599,503	4,714,632
Unfunded AAL (UAAL)	6,901,466	5,599,503	4,714,632
Funded ratio	0.0%	0.0%	0.0%
Annual covered payroll	\$ 1,214,152	\$ 1,317,402	\$ 1,319,774
Ratio of UAAL to covered payroll	568.4%	425.0%	357.2%

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, 2018

NOTE J: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Valuation Methods and Assumptions - 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 K: 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, 2018

NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

	General Fund	Fire Fund	Advance Life Support Fund	Nonmajor Governmental Funds	Total
Fund Balances					
Nonspendable					
Prepays	\$ 3,500	\$ 6,277	\$ 3,125	\$ -	\$ 12,902
Advances	77,869	-	-	-	77,869
Restricted					
Public safety	-	1,232,014	-	-	1,232,014
Health and welfare	-	-	1,033,600	-	1,033,600
Capital projects	-	-	-	200,550	200,550
Assigned					
Post-employment healthcare	150,000	-	-	-	150,000
Cable expenditures	93,211	-	-	-	93,211
Capital projects	-	-	-	327,653	327,653
Unassigned	1,047,657	-	-	(5,441)	1,042,216
	<u>\$ 1,372,237</u>	<u>\$ 1,238,291</u>	<u>\$ 1,036,725</u>	<u>\$ 522,762</u>	<u>\$ 4,170,015</u>

NOTE L: FUND EQUITY DEFICITS

The Special Assessment District Fund had a deficit balance at March 31, 2018, of \$5,441. 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, 2018, of \$522,376. The Township plans to eliminate this deficit through future charges for services.

NOTE M: CONTINGENT LIABILITIES

There are various other legal actions pending against the Township. Due to the inconclusive nature of many of the actions, it is not possible for legal counsel to determine the probable outcome or a reasonable estimate of the potential liability, if any. These actions, for which a reasonable estimate can be determined of the potential liability, if any, are considered by Township management and legal counsel to be immaterial.

NOTE N: UPCOMING ACCOUNTING PRONOUNCEMENTS

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 comprehensively 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 2018-2019 fiscal year.

Township of Bruce

NOTES TO FINANCIAL STATEMENTS

March 31, 2018

NOTE N: UPCOMING ACCOUNTING PRONOUNCEMENTS - CONTINUED

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019-2020 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement will increase the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2019-2020 fiscal year.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The Township is currently evaluating the impact this standard will have on the financial statements when adopted during the 2018-2019 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Bruce

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)

Year Ended March 31, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 488,834	\$ 505,034	\$ 492,410	\$ (12,624)
Licenses and permits	82,500	117,500	120,820	3,320
Intergovernmental				
State shared revenue	541,000	565,000	567,846	2,846
Local community stabilization	38,490	80,085	80,086	1
Metro act	6,600	6,600	6,499	(101)
Charges for services	18,400	18,400	15,238	(3,162)
Interest	2,500	2,500	2,426	(74)
Other	8,500	10,500	5,454	(5,046)
TOTAL REVENUES	1,186,824	1,305,619	1,290,779	(14,840)
EXPENDITURES				
Current				
General government				
Township board	21,400	22,650	21,559	1,091
Supervisor	53,690	53,690	53,706	(16)
Elections	4,250	4,250	2,480	1,770
Assessor	119,761	119,761	110,028	9,733
Legal fees	8,000	9,000	8,430	570
Clerk	102,440	102,440	102,104	336
General office	57,246	66,246	59,967	6,279
Accounting and audit	62,820	62,820	60,478	2,342
Board of Review	1,900	1,900	1,741	159
Tax roll preparation	6,200	6,200	5,973	227
Treasurer	65,890	65,890	65,731	159
Building and grounds	41,700	43,800	42,844	956
Total general government	545,297	558,647	535,041	23,606
Public works				
Zoning board of appeals	1,925	2,675	2,483	192
Inspections	127,821	144,821	144,503	318
Street lighting	10,700	14,700	14,660	40
Engineering	2,500	2,500	990	1,510
Planning	21,750	31,750	31,460	290
Road chloride and paving	33,000	33,000	24,020	8,980
Ordinance enforcement	4,600	4,600	4,615	(15)
Cemeteries	17,000	17,500	17,197	303
Total public works	219,296	251,546	239,928	11,618

Township of Bruce

General Fund

BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS) - CONTINUED

Year Ended March 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Other				
Insurance and other	\$ 182,625	\$ 190,325	\$ 183,900	\$ 6,425
Pension plan	68,500	77,500	76,761	739
Employer payroll taxes	35,200	41,700	41,088	612
Total other	286,325	309,525	301,749	7,776
Capital outlay	13,438	63,433	-	63,433
Debt service	47,468	47,468	47,468	-0-
TOTAL EXPENDITURES	1,111,824	1,230,619	1,124,186	106,433
EXCESS OF REVENUES OVER EXPENDITURES	75,000	75,000	166,593	91,593
OTHER FINANCING (USES)				
Transfers out	(75,000)	(75,000)	(75,000)	-0-
Net change in fund balance (prior to adjustments for GASB Statement No. 54)	\$ -0-	\$ -0-	91,593	\$ 91,593
Net adjustments for GASB Statement No. 54			2,395	
Net change in fund balance, end of year			\$ 93,988	

Township of Bruce

Fire Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 722,908	\$ 722,908	\$ 752,746	\$ 29,838
Charges for services	125,500	275,500	272,131	(3,369)
Interest	-	4,100	5,284	1,184
Other	-	2,600	3,121	521
TOTAL REVENUES	848,408	1,005,108	1,033,282	28,174
EXPENDITURES				
Current				
Public safety	824,925	993,625	930,762	62,863
Capital outlay	23,483	11,483	484,108	(472,625)
TOTAL EXPENDITURES	848,408	1,005,108	1,414,870	(409,762)
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	-0-	(381,588)	(381,588)
OTHER FINANCING SOURCES				
Capital lease	-	-	484,108	484,108
NET CHANGE IN FUND BALANCE	-0-	-0-	102,520	102,520
Fund balance, beginning of year	1,135,771	1,135,771	1,135,771	-0-
Fund balance, end of year	<u>\$ 1,135,771</u>	<u>\$ 1,135,771</u>	<u>\$ 1,238,291</u>	<u>\$ 102,520</u>

Township of Bruce
Advanced Life Support Fund
BUDGETARY COMPARISON SCHEDULE
Year Ended March 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,061,771	\$ 1,061,771	\$ 1,100,462	\$ 38,691
Charges for services	791,000	795,000	848,154	53,154
Interest	-	2,400	3,078	678
Other	-	3,900	9,864	5,964
TOTAL REVENUES	1,852,771	1,863,071	1,961,558	98,487
EXPENDITURES				
Current				
Health and welfare	1,844,342	1,854,642	1,725,829	128,813
Capital outlay	8,429	53,429	51,908	1,521
TOTAL EXPENDITURES	1,852,771	1,908,071	1,777,737	130,334
NET CHANGE IN FUND BALANCE	-0-	(45,000)	183,821	138,821
Fund balance, beginning of year	852,904	852,904	852,904	-0-
Fund balance, end of year	<u>\$ 852,904</u>	<u>\$ 807,904</u>	<u>\$ 1,036,725</u>	<u>\$ 138,821</u>

Township of Bruce

OTHER POST-EMPLOYMENT BENEFITS

Year Ended March 31, 2018

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%
2015	-	4,714,632	4,714,632	0%	1,319,774	357%

Schedule of Employer Contributions

Year Ended March 31,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 640,622	18%	\$ 4,509,398
2017	631,574	15%	5,044,078
2018	619,746	17%	5,559,282

Township of Bruce

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended March 31, 2018

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)	\$ 91,593
To adjust charges for services pertaining to Cable Franchise Fund	104,390
To adjust interest revenue pertaining to Cable Franchise Fund	7
To adjust public works expenditures pertaining to Cable Franchise Fund	<u>(102,002)</u>
Net change in fund balance (GAAP basis)	<u>\$ 93,988</u>

NOTE B: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The Township's budgeted expenditures in the General and major Special Revenue Funds 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, 2018, the Township incurred expenditures in various General Fund and Fire Fund activities more than the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Current			
General government			
Supervisor	\$ 53,690	\$ 53,706	\$ 16
Public works			
Ordinance enforcement	4,600	4,615	15
Fire Fund			
Capital outlay	11,483	484,108	472,625

OTHER SUPPLEMENTARY INFORMATION

Township of Bruce
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 March 31, 2018

	Capital Projects Funds		
	Improvement Revolving	Special Assessment District	Total
ASSETS			
Cash and cash equivalents	\$ 227,600	\$ -	\$ 227,600
Special assessment receivable	-	13,034	13,034
Due from other funds	317,803	6,486	324,289
TOTAL ASSETS	\$ 545,403	\$ 19,520	\$ 564,923
LIABILITIES			
Accounts payable	\$ 17,200	\$ -	\$ 17,200
Due to other funds	-	11,927	11,927
TOTAL LIABILITIES	17,200	11,927	29,127
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	13,034	13,034
FUND BALANCES (DEFICITS)			
Restricted	200,550	-	200,550
Assigned	327,653	-	327,653
Unassigned	-	(5,441)	(5,441)
TOTAL FUND BALANCES (DEFICITS)	528,203	(5,441)	522,762
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	\$ 545,403	\$ 19,520	\$ 564,923

Township of Bruce

Nonmajor Governmental Funds

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

Year Ended March 31, 2018

	Capital Projects Funds		Total
	Improvement Revolving	Special Assessment District	
REVENUES			
Special assessments	\$ -	\$ 7,184	\$ 7,184
Intergovernmental	10,000	-	10,000
Interest	-	1,062	1,062
TOTAL REVENUES	10,000	8,246	18,246
EXPENDITURES			
Current			
Public works	23,200	-	23,200
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,200)	8,246	(4,954)
OTHER FINANCING SOURCES			
Transfers in	75,000	-	75,000
NET CHANGE IN FUND BALANCES	61,800	8,246	70,046
Fund balances (deficits), beginning of year	466,403	(13,687)	452,716
Fund balances (deficits), end of year	\$ 528,203	\$ (5,441)	\$ 522,762

Township of Bruce

Fiduciary Funds

COMBINING STATEMENT OF ASSETS AND LIABILITIES

March 31, 2018

	<u>General Agency</u>	<u>Current Tax Collection</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 121,770	\$ 15	\$ 121,785
Due from others	684	-	684
Due from other governmental units	<u>666</u>	<u>31,323</u>	<u>31,989</u>
 TOTAL ASSETS	 <u><u>\$ 123,120</u></u>	 <u><u>\$ 31,338</u></u>	 <u><u>\$ 154,458</u></u>
LIABILITIES			
Due to others	\$ 1,927	\$ 15	\$ 1,942
Due to other governmental units	5,930	31,323	37,253
Deposits	<u>115,263</u>	<u>-</u>	<u>115,263</u>
 TOTAL LIABILITIES	 <u><u>\$ 123,120</u></u>	 <u><u>\$ 31,338</u></u>	 <u><u>\$ 154,458</u></u>