# Township of Brockway

**St. Clair County, Michigan**

Audited Financial Report
March 31, 2012


**KING & KING CPAs LLC**

Marlette - Imlay City
Michigan

# Township of Brockway

Annual Financial Report
For The Year Ended March 31, 2012

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KING & KING CPAs LLC
**Lehn L. King, C.P.A.** **Ryan L. King, C.P.A.**
3531 MAIN STREET
MARLETTE, MI 48453
Phone 989-635-3113
Fax 989-635-5580
www.kingandkingcpas.com
245 N. CEDAR STREET
IMLAY CITY, MI 48444
Phone 810-724-1120
Fax 810-519-1332

Members of the Township Board
**Township of Brockway**
St. Clair County, Michigan

## Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Brockway, Michigan as of and for the year ended March 31, 2012, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Brockway, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted the 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis for my opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Brockway, Michigan as of March 31, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison information listed in the table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of Management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Brockway, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lehn King
**Certified Public Accountant**

May 1, 2012

# Township of Brockway

Brockway, Michigan

## MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the Township of Brockway, Michigan's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2012. Please read it in conjunction with the Township's financial statements.

### Using this Report

This annual report consists of a series of financial statements. The statement of net assets 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.

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 Township's operations 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.

### Condensed Financial Information

The following table shows in a condensed format, the net assets as of the current date and compared to the most recent audited year's net assets.

| | Governmental Activities | |
|---|---|---|
| | 3/31/2012 | 3/31/2010 |
| Current Assets | $ 646,192 | $ 543,848 |
| Noncurrent Assets | 1,547,515 | 1,688,178 |
| Total Assets | 2,193,708 | 2,232,026 |
| Current Liabilities | 117,055 | 117,896 |
| Noncurrent Liabilities | 120,000 | 350,909 |
| Total Liabilities | 237,055 | 468,805 |
| Net Assets: | | |
| Investment in Capital Assets - Net of Related Debt | 1,312,515 | 1,222,269 |
| Restricted | 128,414 | - |
| Unrestricited | 515,724 | 540,952 |
| Total Net Assets | $ 1,956,653 | $ 1,763,221 |

**Condensed Financial Information – Continued**

The following table shows the changes of the net assets during the current year:

| | Governmental Activities | |
|---|---|---|
| | **3/31/2012** | **3/31/2010** |
| **Revenues** | | |
| Program Revenues: | | |
| Charges for Services | $ 39,547 | $ 42,309 |
| Capital Grants & Contributions | - | 34,575 |
| General Revenues: | | |
| Property Taxes | 286,234 | 303,444 |
| Intergovernmental Revenues | 155,850 | 128,788 |
| Interest | 2,768 | 3,860 |
| Other Revenues | 120,489 | 23,230 |
| Total Revenues | 604,888 | 536,206 |
| **Program Expenses** | | |
| General Government | $ 128,231 | $ 120,064 |
| Public Safety | 118,276 | 149,649 |
| Public Works | 148,214 | 130,002 |
| Recreation & Culture | 78,296 | 58,554 |
| Interest on L/T Debt | 10,980 | 19,557 |
| Total Program Expenses | 483,997 | 477,826 |
| **Change in Net Assets** | $ 120,891 | $ 58,380 |

**The Township as a Whole**

- The Township's Governmental Activities net assets increased by $120,891 this year. This compares to a net increase of $58,380 in the previous audited year.

- The Township's primary source of revenue is from property taxes, and state shared revenues, which represents 73% of total revenue.

**The Township's Fund**

Our analysis of the Township's major funds begins on page 4, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township's major funds for 2012 include the General Fund, Fire Department Fund, and Park Fund.

**General Fund Budgetary Highlights**

The Township made amendments to the budget throughout the year to cover the expenditures incurred. However, there were some line items in which the actual expenditures exceeded the amounts budgeted at the end of the year.

**Capital Asset and Debt Administration**

For the fiscal year ending 2012, the Township purchased an Off-Road Vehicle in the Fire Department Fund for $11,378.

Additional information regarding the Township's capital assets can be found in Note 5 to the financial statements.

The Township did not incur any additional Long-Term Debt in the fiscal year ended March 31, 2012. The Township made a payment of $110,000 in principal on the existing Long-Term Debt, leaving a balance due of $235,000 to be paid over the next two fiscal years

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

The Township's tax base remained relatively constant. The Township will need to continue to watch the budget very closely in all categories.

**Contacting the Township**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Township Clerk at (810) 387-3375.

# Township of Brockway

Statement of Net Assets (Deficit)

March 31, 2012

| | Primary Government<br>Governmental Activities |
|---|---|
| **Assets** | |
| Cash & Cash Equivalents | $ 353,203.91 |
| Property Tax Receivable | 28,605.45 |
| Due From Other Funds | 264,382.96 |
| Capital Assets (Net of Accumulated Depreciation) | 1,547,515.21 |
| Total Assets | 2,193,707.53 |
| **Liabilities** | |
| Accrued Payroll Taxes | $ 831.84 |
| Due To Other Funds | 1,222.49 |
| Current Portion of Long-Term Debt | 115,000.00 |
| Noncurrent Liabilities: | |
| Long-Term Debt | 120,000.00 |
| Total Liabilities | 237,054.33 |
| **Net Assets (Deficit)** | |
| Invested in Capital Assets - Net of Related Debt | 1,312,515.21 |
| Restricted | 128,413.53 |
| Unrestricted | 515,724.46 |
| Total Net Assets (Deficit) | $ 1,956,653.20 |

**The notes are an integral part of the statements.**

# Township of Brockway

Statement of Activities

For the Year Ended March 31, 2012

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants & Contributions | Program Revenues: Capital Grants & Contributions | Net (Expense) Revenue & Changes in Net Assets: Primary Government Governmental Activities |
|---|---|---|---|---|---|
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| General Government | $ 128,231.09 | $ - | $ - | $ - | $ (128,231.09) |
| Public Safety | 118,275.59 | 20,421.97 | - | - | (97,853.62) |
| Public Works | 148,214.30 | - | - | - | (148,214.30) |
| Recreation & Culture | 78,296.07 | 19,125.10 | - | - | (59,170.97) |
| Interest on Long-Term Debt | 10,980.00 | - | - | - | (10,980.00) |
| Total Governmental Activities | $ 483,997.05 | $ 39,547.07 | $ - | $ - | (444,449.98) |

| | |
|---|---|
| **General Revenues:** | |
| Property Taxes | $ 286,234.14 |
| Intergovernmental Revenues | 155,849.87 |
| Interest | 2,767.70 |
| Other Revenues | 120,489.13 |
| Transfers | - |
| Total General Revenues, Special Items & Transfers | 565,340.84 |
| **Change in Net Assets** | 120,890.86 |
| **Net Assets (Deficit) - Beginning of Year** | 1,835,762.34 |
| **Net Assets (Deficit) - End of Year** | $ 1,956,653.20 |

**The notes are an integral part of the statements.**

# Township of Brockway

Governmental Funds
Balance Sheet
March 31, 2012

| | General Fund | Fire Department Fund | Park Fund | Total Governmental Funds |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash & Certificates of Deposit | $ 187,110.26 | $ 148,911.16 | $ 17,182.49 | $ 353,203.91 |
| Property Tax Receivable | 28,605.45 | - | - | 28,605.45 |
| Due From Other Funds | 264,382.96 | - | - | 264,382.96 |
| Total Assets | $ 480,098.67 | $ 148,911.16 | $ 17,182.49 | $ 646,192.32 |
| **Liabilities & Fund Equity** | | | | |
| **Liabilities** | | | | |
| Accrued Payroll Taxes | $ 831.84 | $ - | $ - | $ 831.84 |
| Due To Other Funds | 1,222.49 | - | - | 1,222.49 |
| Total Liabilities | 2,054.33 | - | - | 2,054.33 |
| **Fund Equity** | | | | |
| Fund Balances | | | | |
| Restricted For: | | | | |
| Public Safety - Fire Prevention | 116,921.17 | - | - | 116,921.17 |
| Recreation & Culture | 11,492.36 | - | - | 11,492.36 |
| Committed For: | | | | |
| Public Safety - Fire Prevention | - | 148,911.16 | - | 148,911.16 |
| Recreation & Culture | - | - | 17,182.49 | 17,182.49 |
| Unassigned | 349,630.81 | - | - | 349,630.81 |
| Total Fund Balances | 478,044.34 | 148,911.16 | 17,182.49 | 644,137.99 |
| Total Liabilities & Fund Equity | $ 480,098.67 | $ 148,911.16 | $ 17,182.49 | $ 646,192.32 |

**The notes are an integral part of the statements.**

# Township of Brockway

Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Assets (Deficit)
For The Year Ended March 31, 2012

| | | |
|---|---|---|
| **Total Fund Balances for Governmental Funds** | $ | 644,137.99 |
| Amounts reported for Governmental Activities in the Statement of Net Assets (Deficit) are different because: | | |
| Capital Assets used in Governmental Activities are not Financial Resources and are not reported in the Funds | | 1,547,515.21 |
| Long-Term Bonds Payable are not due and payable in the current period and are not reported in the Funds | | (235,000.00) |
| **Net Assets of Governmental Activities** | $ | 1,956,653.20 |

**The notes are an integral part of the statements.**

# Township of Brockway

Governmental Funds
Statement of Revenues, Expenditures, And Changes
in Fund Balances
For The Year Ended March 31, 2012

| | General Fund | Fire Department Fund | Park Fund | Total Governmental Funds |
|---|---|---|---|---|
| **Revenues** | | | | |
| Property Taxes | $ 286,234.14 | $ - | $ - | $ 286,234.14 |
| Intergovernmental Revenues | 146,744.00 | - | - | 146,744.00 |
| County Voted Millage - Park | 9,105.87 | - | - | 9,105.87 |
| Charges for Services | 2,387.46 | 18,034.51 | 19,125.10 | 39,547.07 |
| Fire & Township Hall Rent | 4,991.73 | - | - | 4,991.73 |
| Interest Earnings | 1,915.40 | 749.78 | 102.52 | 2,767.70 |
| Other Revenues | 7,429.31 | 19,375.59 | 4,562.50 | 31,367.40 |
| Total Revenues | 458,807.91 | 38,159.88 | 23,790.12 | 520,757.91 |
| **Expenditures** | | | | |
| General Government | 126,021.37 | - | - | 126,021.37 |
| Public Safety | 41,576.70 | 35,861.48 | - | 77,438.18 |
| Publics Works | 148,214.30 | - | - | 148,214.30 |
| Recreation & Culture | 32,934.01 | - | 27,503.83 | 60,437.84 |
| Capital Outlay | - | 11,378.00 | - | 11,378.00 |
| Debt Service - Principal | 110,000.00 | - | - | 110,000.00 |
| Debt Service - Interest | 10,980.00 | - | - | 10,980.00 |
| Total Expenditures | 469,726.38 | 47,239.48 | 27,503.83 | 544,469.69 |
| **Excess of Revenues Over (Under) Expenditures** | (10,918.47) | (9,079.60) | (3,713.71) | (23,711.78) |
| **Other Financing Sources (Uses)** | | | | |
| Sale of Fixed Assets | - | 84,130.00 | - | 84,130.00 |
| Operating Transfers In (Out) | (12,000.00) | 10,000.00 | 2,000.00 | - |
| **Net Change in Fund Balances** | (22,918.47) | 85,050.40 | (1,713.71) | 60,418.22 |
| **Fund Balances - Beginning of Year** | 500,962.81 | 63,860.76 | 18,896.20 | 583,719.77 |
| **Fund Balances - End of Year** | $ 478,044.34 | $ 148,911.16 | $ 17,182.49 | $ 644,137.99 |

**The notes are an integral part of the statements.**

# Township of Brockway

Governmental Funds
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended March 31, 2012

| | |
|---|---|
| **Net Change in Fund Balances - Total Governmental Funds** | $ 60,418.22 |
| Amounts reported for Governmental Activities in the Statement of Activities are different because: | |
| Governmental Funds report Capital Outlays as Expenditures; in the Statement of Activities, these costs are capitalized and allocated over their estimated useful lives as Depreciation | 11,378.00 |
| Repayment of Bond Principal is an Expenditure in the Governmental Funds, but not in the Statement of Activities (where it reduces Long-Term Debt) | 110,000.00 |
| Gain/(Loss) on the Sale of Fixed Assets is recognized in the Statement of Activities | 84,130.00 |
| The Sale of Fixed Assets is not adjusted for the remaining basis in the Governmental Funds | (84,130.00) |
| Depreciation is an Expenditure for the Statement of Activities, but is not reported in the Governmental Funds | (60,905.36) |
| **Net Assets of Governmental Activities** | $ 120,890.86 |

**The notes are an integral part of the statements.**

# Township of Brockway

Statement of Net Assets (Deficit)
Fiduciary Funds
March 31, 2012

| | Fiduciary Fund Types | | |
|---|---|---|---|
| | Agency Funds | | |
| **Assets** | **Trust & Agency Fund** | **Current Tax Collection Fund** | **Totals March 31, 2012** |
| Cash - Savings & Certificates | $ 22,677.51 | $ 264,382.96 | $ 287,060.47 |
| Due From Other Funds | 1,222.49 | - | 1,222.49 |
| Total Assets | $ 23,900.00 | $ 264,382.96 | $ 288,282.96 |
| **Liabilities & Fund Balance** | | | |
| **Liabilities** | | | |
| Due To Other Funds | $ - | $ 264,382.96 | $ 264,382.96 |
| Due To Others | 23,900.00 | - | 23,900.00 |
| Total Liabilities | 23,900.00 | 264,382.96 | 288,282.96 |
| **Fund Balances** | | | |
| Unreserved & Undesignated | - | - | - |
| Total Fund Balances | - | - | - |
| Total Liabilities & Fund Balances | $ 23,900.00 | $ 264,382.96 | $ 288,282.96 |

**The notes are an integral part of the statements.**

The accounting methods and procedures adopted by the Township of Brockway, St. Clair County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Townships Comprehensive Annual Financial Report.

**1. Summary of Significant Accounting Policies**

**Financial Reporting Entity**

The Township was incorporated under the laws of the State of Michigan and operates as a General Law Township, with a Township Board form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township (the primary government) and its component units. The component units discussed below are included in the Township reporting entity because of the significance of their operational or financial relationships with the Township.

**Component Units -** In accordance with generally accepted accounting principles, there are no component units of Government required to be included in the Financial Reporting Entity either as blended component units or discretely presented component units.

**Government-wide and Fund Statements Fund**

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the Township (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

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

The Township reports the following major governmental funds:

**General Fund -** The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Fire Department Fund –** The fund accounts for the operation of the fire department. Funding is provided primarily through fire runs and donations.

**Park Fund –** The fund accounts for the various park activities. Funding is provided primarily through team registration fees and sponsor fees.

Additionally, the Township reports the following fund types:

**Trust & Agency Funds** - The Trust & Agency Fund accounts for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, or other governments.

**Current Tax Collection Fund –** The fund accounts for the collection and disbursement of taxes.

**Measurement Focus and Basis of Accounting**

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

**Cash -** The Township does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Township's investments.

**Investments -** Debt securities are valued at cost since it is generally the policy of the Township to hold such investments until they mature.

**Due to and Due From Other Funds** - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**Property Tax Revenues -** Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

**Vacation, Sick Leave, & Other Compensated Absences -** The Township does not have any contracts or agreements with its employees or elected officials which require the payment of compensation during absence from duty nor do any such benefits vest to the right of the employee or elected official.

**Capital Assets -** Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Township as assets with an initial individual cost of more than $2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

| | |
|---|---|
| Infrastructure | 40 years |
| Buildings & Building Improvements | 20 to 40 years |
| Machinery & Equipment | 3 to 10 years |

**Long-Term Obligations -** In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Balance Classification -** In the fund financial statements, governmental funds report nonspendable fund balance for amounts of assets that will not be converted to cash soon enough to affect the current period; restrictions of fund balance for amounts that are legally restricted by outside parties or enabling legislation for use for a specific purpose; committed fund balance for constraints placed on resources by a formal action of the board; and assigned fund balance for constraints placed on resources by the Township's intent to be used for specific purposes.

- For *committed* fund balances, the Township's highest level of decision-making authority is the Board and it takes a Board's resolution to establish a fund balance commitment.

- For *assigned* fund balances, the Board can authorize to assign amounts to a specific purpose through a motion.

- The Township's policy is that the restricted amounts are considered to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

- The Township's policy is if it has *committed, assigned,* or *unassigned* fund balance available when it incurs an expenditure it will use up the fund balance in the order of committed, assigned, and then unassigned.

- The Township does not have a policy with respect to a minimum fund balance.

**Use of Estimates -** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

## 2. Stewardship, Compliance, and Accountability

### Budgetary Information

The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.

2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.

3. The budgets must be amended when necessary.

4. Debt cannot be entered into unless permitted by law.

5. Expenditures cannot exceed budget appropriations.

6. Expenditures cannot be made unless authorized in the budget.

7. Public hearings must be held before budget adoptions.

In the body of the financial statements, the Township actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the Township Board as a management tool during the year for all budgetary funds. The budgets are adopted on an accrual basis, which is consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Budgets for the General Fund and the Special Revenue Funds are presented in the required supplemental information.

During the year ended March 31, 2012, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

| | Total Appropriations | Amount of Expenditures | Budget Variance |
|---|---|---|---|
| **General Fund** | | | |
| Cemetery Expense | $ 1,415 | $ 8,740 | $ 7,325 |
| Fire Protection | 22,535 | 26,156 | 3,621 |
| Protective Inspection | 3,301 | 3,317 | 16 |
| Planning | 11,370 | 11,604 | 234 |
| Roads & Drains | 112,979 | 148,214 | 35,235 |
| Recreation & Culture | 23,477 | 32,934 | 9,457 |
| **Park Fund** | | | |
| Recreation & Culture | 10,950 | 27,504 | 16,554 |

### 3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The Township does not have an investment policy adopted by the Board in accordance with Public Act 196 of 1997. The Board has authorized investment in bank accounts, CDs, and pooled money market accounts if the bank meets the criteria as a depository of public funds contained in state law, but not the remainder of State statutory authority as listed above. The Township's deposits are in accordance with statutory authority. All cash deposits and investments of the Township are held by the Township in the Township's name.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

| | Governmental Activities | Fiduciary - Trust & Agency Funds | Total Primary Government |
|---|---|---|---|
| Cash & Cash Equivalents | $ 353,204 | $ 287,060 | $ 640,264 |

The breakdown between deposits and investments is as follows:

| | Primary Government |
|---|---|
| Bank Deposits (Checking & Savings Accounts, CDs) | $ 640,264 |

The bank balance of the primary government's deposits is $640,264, of which $286,558 is covered by federal depository insurance and $-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Township's name.

### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had approximately $353,706 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not further limit its investment choices.

At year end, there were no investments reported in the basic financial statements.

## 4. Property Taxes

The Township is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of December of the levy year and may be paid by the following February 14.

The Township levied the following taxes:

| | | |
|---|---|---|
| General Government Services | 0.8093 | mills |
| Roads | 1.7344 | mills |
| Fire | 1.8358 | mills |

## 5. Capital Assets

Capital Assets activity of the Township's governmental activities (and business-type) was as follows:

| | Balance April 1, 2011 | Additions | Disposals & Adjustments | Balance March 31, 2012 |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| Capital Assets Not Being Depreciated | $ 7,200 | $ - | $ - | $ 7,200 |
| Capital Assets Being Depreciated: | | | | |
| Buildings & Improvements | $ 1,811,858 | $ - | $ - | $ 1,811,858 |
| Machinery & Equipment | 799,665 | 11,378 | - | 811,043 |
| Total Capital Assets being Depreciated | 2,611,523 | 11,378 | - | 2,622,901 |
| Accumulated Depreciation: | | | | |
| Buildings & Improvements | 357,303 | 39,809 | - | 397,112 |
| Machinery & Equipment | 664,378 | 21,096 | - | 685,474 |
| Total Accumulated Depreciation | 1,021,681 | 60,905 | - | 1,082,586 |
| **Net Capital Assets** | $ 1,597,042 | $ (49,527) | $ - | $ 1,547,515 |

Depreciation expense was charged to programs of the primary government as follows:

| | |
|---|---|
| **Governmental Activities:** | |
| General Government | $ 2,210 |
| Public Safety | 40,837 |
| Recreation & Culture | 17,858 |
| Total Governmental Activities | $ 60,905 |

## 6. Deficit Fund Balance or Retained Earnings Balances of Individual Funds

None

## 7. Comparative Data

Comparative total data for the prior year has not been presented.

## 8. Long -Term Debt

| | Interest Rate Ranges | Principal Maturity Ranges | Beginning Balance | Additions (Reductions) | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|---|
| 2003 Fire Hall Project<br>Amount of Issue - $995,000<br>Maturing through 2013 | 3.70% | $90,000 - $120,000 | $ 345,000 | $ (110,000) | $ 235,000 | $ 115,000 |
| **Total Governmental Activities** | | | $ 345,000 | $ (110,000) | $ 235,000 | $ 115,000 |

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

| Years Ending March 31, | **Governmental Activities** Principal | Interest | Total |
|---|---|---|---|
| 2013 | $ 115,000 | $ 6,568 | $ 121,568 |
| 2014 | 120,000 | 2,220 | 122,220 |
| **Total** | $ 235,000 | $ 8,788 | $ 243,788 |

## 9. Post Employment Benefits

The Township does not provide any post employment benefits other than the deferred compensation benefits.

## 10. Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with IRC Section 457. The assets of the plan were held in trust, as described in IRC Section 457(g) for the exclusive benefit of the participants and their beneficiaries. The custodian thereof of the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Township's financial statements.

## 11. Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Township has purchased commercial insurance for the various risks of loss stated above. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

## Required Supplemental Information

# Township of Brockway

Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended March 31, 2012

| | General Fund | | | |
|---|---|---|---|---|
| **Revenues** | **Original Budget** | **Amended Budget** | **Actual** | **Variance with Amended Budget** |
| Property Taxes | $ 290,404.00 | $ 290,404.00 | $ 286,234.14 | $ (4,169.86) |
| State Shared Revenues | 121,000.00 | 121,000.00 | 146,744.00 | 25,744.00 |
| County Voted Millage - Park | 8,500.00 | 8,500.00 | 9,105.87 | 605.87 |
| Charges for Services | 5,900.00 | 5,900.00 | 2,387.46 | (3,512.54) |
| Fire & Township Hall Rent | 5,000.00 | 5,000.00 | 4,991.73 | (8.27) |
| Interest Earnings | 1,500.00 | 1,500.00 | 1,915.40 | 415.40 |
| Other Revenues | 13,600.00 | 13,600.00 | 7,429.31 | (6,170.69) |
| **Total Revenues** | 445,904.00 | 445,904.00 | 458,807.91 | 12,903.91 |
| **Expenditures** | | | | |
| **General Government** | | | | |
| Township Board | 46,090.00 | 43,748.00 | 36,763.01 | 6,984.99 |
| Supervisor | 11,000.00 | 11,000.00 | 11,000.04 | (0.04) |
| Elections | - | 1,167.00 | 1,154.32 | 12.68 |
| Assessor | 13,150.00 | 13,191.00 | 12,730.78 | 460.22 |
| Clerk | 19,500.00 | 19,500.00 | 19,490.08 | 9.92 |
| Board of Review | 1,400.00 | 1,100.00 | 1,100.00 | - |
| Treasurer | 13,000.00 | 13,800.00 | 12,999.96 | 800.04 |
| Township Hall Expense | 20,250.00 | 21,049.00 | 22,043.18 | (994.18) |
| Cemetery Expense | 1,000.00 | 1,415.00 | 8,740.00 | (7,325.00) |
| Total General Government | 125,390.00 | 125,970.00 | 126,021.37 | (51.37) |
| **Public Safety** | | | | |
| Fire Protection | 23,100.00 | 22,535.00 | 26,156.08 | (3,621.08) |
| Protective Inspection | 5,650.00 | 3,301.00 | 3,316.50 | (15.50) |
| Planning | 13,370.00 | 11,370.00 | 11,604.12 | (234.12) |
| Board of Appeals | 700.00 | 500.00 | 500.00 | - |
| Total Public Safety | 42,820.00 | 37,706.00 | 41,576.70 | (3,870.70) |
| **Public Works - Roads & Drains** | 112,090.00 | 112,979.00 | 148,214.30 | (35,235.30) |
| **Recreation & Culture** | 22,137.00 | 23,477.00 | 32,934.01 | (9,457.01) |
| **Capital Outlay** | - | - | - | - |
| **Debt Service - Principal** | 116,400.00 | 110,000.00 | 110,000.00 | - |
| **Debt Service - Interest** | - | 10,980.00 | 10,980.00 | - |
| Total Expenditures | 418,837.00 | 421,112.00 | 469,726.38 | (48,614.38) |
| **Excess of Revenues Over (Under) Expenditures** | 27,067.00 | 24,792.00 | (10,918.47) | (35,710.47) |
| **Other Financing Sources (Uses)** | | | | |
| Operating Transfers In (Out) | (2,000.00) | (2,000.00) | (12,000.00) | (10,000.00) |
| **Excess of Revenues & Operating Transfers In Over (Under) Expenditures & Operating Transfers Out** | 25,067.00 | 22,792.00 | (22,918.47) | (45,710.47) |
| **Fund Balance - Beginning of Year** | 14,791.00 | 14,791.00 | 500,962.81 | 486,171.81 |
| **Fund Balance - End of Year** | $ 39,858.00 | $ 37,583.00 | $ 478,044.34 | $ 440,461.34 |

# Township of Brockway

Required Supplemental Information
Budgetary Comparison Schedule
Fire Department Fund
For The Year Ended March 31, 2012

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|---|---|---|---|---|
| **Revenues** | | | | |
| Charges for Service | $ 12,000.00 | $ 12,000.00 | $ 9,034.51 | $ (2,965.49) |
| Contracted Fees | 9,000.00 | - | 9,000.00 | 9,000.00 |
| Interest Earnings | - | - | 749.78 | 749.78 |
| Other Revenues | - | - | 19,375.59 | 19,375.59 |
| **Total Revenues** | 21,000.00 | 12,000.00 | 38,159.88 | 26,159.88 |
| **Expenditures** | | | | |
| Public Safety | 35,506.00 | 40,654.00 | 35,861.48 | 4,792.52 |
| Capital Outlay | - | 12,000.00 | 11,378.00 | 622.00 |
| **Total Expenditures** | 35,506.00 | 52,654.00 | 47,239.48 | 5,414.52 |
| **Excess of Revenues Over (Under) Expenditures** | (14,506.00) | (40,654.00) | (9,079.60) | 31,574.40 |
| **Other Financing Sources** | | | | |
| Sale of Fixed Assets | - | - | 84,130.00 | 84,130.00 |
| Operating Transfers In (Out) | - | - | 10,000.00 | 10,000.00 |
| **Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses** | (14,506.00) | (40,654.00) | 85,050.40 | 125,704.40 |
| **Fund Balance - Beginning of Year** | - | - | 63,860.76 | 63,860.76 |
| **Fund Balance - End of Year** | $ (14,506.00) | $ (40,654.00) | $ 148,911.16 | $ 189,565.16 |

# Township of Brockway

Required Supplemental Information
Budgetary Comparison Schedule
Park Fund
For The Year Ended March 31, 2012

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|---|---|---|---|---|
| **Revenues** | | | | |
| Registration & Sponsor Fees | $ - | $ - | $ 19,125.10 | $ 19,125.10 |
| Contributions & Donations | - | - | 4,562.50 | 4,562.50 |
| Interest Earnings | - | - | 102.52 | 102.52 |
| **Total Revenues** | - | - | 23,790.12 | 23,790.12 |
| **Expenditures** | | | | |
| Recreation & Culture | 8,500.00 | 10,950.00 | 27,503.83 | (16,553.83) |
| **Total Expenditures** | 8,500.00 | 10,950.00 | 27,503.83 | (16,553.83) |
| **Excess of Revenues Over (Under) Expenditures** | (8,500.00) | (10,950.00) | (3,713.71) | 7,236.29 |
| **Other Financing Sources** | | | | |
| Operating Transfers In (Out) | 2,000.00 | 2,000.00 | 2,000.00 | - |
| **Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses** | (6,500.00) | (8,950.00) | (1,713.71) | 7,236.29 |
| **Fund Balance - Beginning of Year** | - | - | 18,896.20 | 18,896.20 |
| **Fund Balance - End of Year** | $ (6,500.00) | $ (8,950.00) | $ 17,182.49 | $ 26,132.49 |

## Other Supplemental Information

# Township of Brockway

Other Supplemental Information
Schedule of Indebtedness
March 31, 2012

**2003 Township Fire Hall Bonds - Bank of New York**

**Dated: January 13, 2003**
**Original Issue $995,000**

| Interest Rate | Date of Maturity | Principal Outstanding March 31, 2012 | Principal Outstanding March 31, 2011 | Annual Interest Payable |
|---|---|---|---|---|
| 3.70% | 04/01/11 | $ - | $ 110,000 | $ - |
| 3.70% | 10/01/11 | - | - | - |
| 3.70% | 04/01/12 | 115,000 | 115,000 | 4,348 |
| 3.70% | 10/01/12 | - | - | 2,220 |
| 3.70% | 04/01/13 | 120,000 | 120,000 | 2,220 |
| Total Bonds Payable | | $ 235,000 | $ 345,000 | $ 8,788 |

KING & KING CPAs LLC
**Lehn L. King, C.P.A.** **Ryan L. King, C.P.A.**
3531 MAIN STREET
MARLETTE, MI 48453
Phone 989-635-3113
Fax 989-635-5580
www.kingandkingcpas.com
245 N. CEDAR STREET
IMLAY CITY, MI 48444
Phone 810-724-1120
Fax 810-519-1332

May 1, 2012

**Brockway Township**
St. Clair County, Michigan

To the Members of the Board:

In planning and performing our audit of the financial statements, as of and for the year ended March 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Brockway's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Township of Brockway's internal control to be a significant deficiency:

**Segregation of Duties –** Due to the limited number of people, many critical duties are combined and given to the available employees/board members. To the extent possible, duties should be segregated to serve as a check and balance to maintain the best control possible. We recommend the Township segregate duties whenever possible.

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

Sincerely,

*Lehn King*

Lehn L. King, C.P.A.
**King & King CPAs LLC**

KING & KING CPAs LLC
**Lehn L. King, C.P.A.** **Ryan L. King, C.P.A.**
3531 MAIN STREET
MARLETTE, MI 48453
Phone 989-635-3113
Fax 989-635-5580
www.kingandkingcpas.com
245 N. CEDAR STREET
IMLAY CITY, MI 48444
Phone 810-724-1120
Fax 810-519-1332

May 1, 2012

**Brockway Township**
St. Clair County, Michigan

To the Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Brockway for the year ended March 31, 2012, and have issued our report thereon dated May 1, 2012. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated October 24, 2011, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you.

**Significant Audit Findings**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Brockway are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ending March 31, 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

*Difficulties Encountered in Performing the Audit*

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

KING & KING CPAs LLC
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**Audit Adjustments (Corrected and Uncorrected Misstatements)**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated May 1, 2012.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

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

Sincerely,

Lehn King

Lehn L. King, C.P.A.
**King & King CPAs LLC**