

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES NO Check each applicable box below.** (See instructions for further detail.)

1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.   The local unit has adopted a budget for all required funds.
5.   A public hearing on the budget was held in accordance with State statute.
6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.   The local unit only holds deposits/investments that comply with statutory requirements.
9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.   The local unit is free of repeated comments from previous years.
12.   The audit opinion is UNQUALIFIED.
13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.   The board or council approves all invoices prior to payment as required by charter or statute.
15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Christina M. Kostinck</i>	Printed Name		License Number	

**Township of Bruce  
Macomb County, Michigan**

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**Financial Report  
with Supplemental Information  
March 31, 2007**

# 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 (the "Township") as of and for the year ended March 31, 2007, 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 Bruce's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bruce as of March 31, 2007 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 schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Bruce'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.

*Plante & Moran, PLLC*

June 29, 2007

# **Township of Bruce**

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## **Management's Discussion and Analysis**

As management of the Township of Bruce, Michigan (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the Township's financial activities for the fiscal year ended March 31, 2007. We encourage readers to consider information presented here in conjunction with additional information that is furnished in the Township's financial statements.

### **Using this Annual 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 of the government.

# Township of Bruce

## Management's Discussion and Analysis (Continued)

### The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Current	\$ 3,743	\$ 3,209	\$ 885	\$ 799	\$ 4,628	\$ 4,008
Noncurrent:						
Restricted assets	-	-	287	1,413	287	1,413
Capital assets	3,099	3,487	5,780	4,793	8,879	8,280
Total assets	6,842	6,696	6,952	7,005	13,794	13,701
<b>Liabilities</b>						
Current liabilities	475	399	130	108	605	507
Long-term liabilities	507	663	3,316	3,341	3,823	4,004
Total liabilities	982	1,062	3,446	3,449	4,428	4,511
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	2,665	2,778	2,726	2,864	5,391	5,642
Restricted	2,002	1,340	-	-	2,002	1,340
Unrestricted	1,193	1,516	780	692	1,973	2,208
Total net assets	<u>\$ 5,860</u>	<u>\$ 5,634</u>	<u>\$ 3,506</u>	<u>\$ 3,556</u>	<u>\$ 9,366</u>	<u>\$ 9,190</u>

The Township's assets are divided into two categories: business-type activities and governmental-type activities. The combined net assets increased from \$9.19 million to \$9.37 million. The governmental-type activities showed an increase of \$226,000 in net assets, which equates to 4.0 percent. This increase was a result of interest rates being higher than anticipated in the original budget and the ability to keep costs at or below budgeted levels. The business-type activities showed a decrease of \$49,000 in net assets, which equates to 0.4 percent. This decrease was a result of the near completion of the Waste Water Treatment Plant and final payments made to the Village of Romeo.

# Township of Bruce

## Management's Discussion and Analysis (Continued)

The following table shows the changes in the net assets during the current year and prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 638	\$ 630	\$ 218	\$ 232	\$ 856	\$ 862
Operating grants and contributions	-	-	-	84	-	84
Capital grants and contributions	30	99	-	-	30	99
General revenue:						
Property taxes	1,920	1,599	-	-	1,920	1,599
State-shared revenue	435	523	-	-	435	523
Unrestricted investment earnings	210	63	86	38	296	101
Miscellaneous	213	179	-	-	213	179
Gain on sale of assets	(13)	2	-	-	(13)	2
Total revenue	3,433	3,095	304	354	3,737	3,449
<b>Program Expenses</b>						
General government	1,072	669	-	-	1,072	669
Public safety	1,955	1,923	-	-	1,955	1,923
Public works	110	289	-	-	110	289
Interest on long-term debt	23	54	-	-	23	54
Water and sewer	-	-	306	327	306	327
Total program expenses	3,160	2,935	306	327	3,466	3,262
<b>Change in Net Assets</b>	<b>\$ 273</b>	<b>\$ 160</b>	<b>\$ (2)</b>	<b>\$ 27</b>	<b>\$ 271</b>	<b>\$ 187</b>

### Governmental Activities

The Township's total governmental revenues were approximately \$3.4 million. The Township's total governmental expenditures were approximately \$3.2 million. Increases were led by continued increases in health care costs and property insurance rates, a contribution to road construction costs, roof repair on the Township hall, payout of a full-time employee's retirement benefit package, and additional costs for hosting school elections based upon the new state law enacted.

### Business-type Activities

The Township's business-type activities consist of the Sewer Fund. We provide sewage treatment through a sewage treatment plant that is owned and operated by the Village of Romeo. The Township leases capacity from the Village of Romeo.

# **Township of Bruce**

## **Management's Discussion and Analysis (Continued)**

### **The Township's Funds**

Our analysis of the Township's major funds begins on page 11, 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 board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2006 include the General Fund, the Fire Fund, the Advanced Life Support Fund, the Romeo Service Contract Fund, and the 2002 Special Assessment Fund.

The General Fund pays for most of the Township's governmental services. The most significant are assessing and building inspection departments, which incurred expenses of approximately \$118,000 and \$105,000, respectively, in 2007. Fire and advanced life support services are supported primarily through special millages that are recorded in the respective funds. The Fire and Advanced Life Support Funds recorded the receipt of approximately \$616,000 and \$868,000, respectively, from these millages in the current year.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township amended the budget to take into account events during the year. The most significant change was an increase in public safety in the Fire and Advanced Life Support Funds. This was a result of building improvements made to the Romeo substation and an increase in hours worked by part-time firefighters due to increased demand. Revenues were higher than anticipated due to higher yields in the market resulting in greater interest earnings. In addition, other fluctuations or changes include:

- New building permits were down and home sales slow within the Township.
- Part-time staff hours were reviewed and capped or reduced in various departments.
- A new personnel policy was adopted to implement additional review and control measures.

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

Future increases in state-shared revenue are unpredictable due to the state of the economy in Michigan.

### **Capital Asset and Debt Administration**

In December 2004, the Township board approved issuing \$3,375,000 of general obligation capital improvement bonds for the expansion and renovation of the Village of Romeo waste water treatment plant. The Township does not have ownership in this facility; however, the Township utilizes this facility to service the Township's residents. This expansion was necessary to provide sewer support to the industrial district. Interest payments for this bond issue started in the prior fiscal year. At this time, the structure is still in the construction phase and taps to generate revenue are not being sold yet.

# **Township of Bruce**

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## **Management's Discussion and Analysis (Continued)**

### **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 to show 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 clerk's office.

# Township of Bruce

## Statement of Net Assets March 31, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments (Note 2)	\$ 3,214,466	\$ 828,132	\$ 4,042,598
Receivables:			
Taxes	155,978	-	155,978
Customers	-	48,378	48,378
Special assessments	192,371	-	192,371
Contracts and other	11,847	8,592	20,439
Internal balances	(468)	468	-
Due from other governmental units	122,206	-	122,206
Prepaid costs and other assets	45,812	-	45,812
Restricted assets (Note 6)	-	286,782	286,782
Capital assets (Note 4):			
Nondepreciable capital assets	680,770	3,081,966	3,762,736
Depreciable capital assets	<u>2,418,637</u>	<u>2,698,105</u>	<u>5,116,742</u>
Total assets	6,841,619	6,952,423	13,794,042
<b>Liabilities</b>			
Accounts payable	206,634	103,858	310,492
Accrued and other liabilities	81,560	991	82,551
Deferred revenue (Note 3)	87,975	-	87,975
Noncurrent liabilities (Note 7):			
Due within one year	98,969	25,000	123,969
Due in more than one year	<u>506,655</u>	<u>3,316,250</u>	<u>3,822,905</u>
Total liabilities	<u>981,793</u>	<u>3,446,099</u>	<u>4,427,892</u>
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	2,665,426	2,725,603	5,391,029
Restricted:			
Capital projects	242,953	-	242,953
Cemetery perpetual care	8,185	-	8,185
Romeo service contract	135,331	-	135,331
Fire and advanced life support	1,615,278	-	1,615,278
Unrestricted	<u>1,192,653</u>	<u>780,721</u>	<u>1,973,374</u>
Total net assets	<u>\$ 5,859,826</u>	<u>\$ 3,506,324</u>	<u>\$ 9,366,150</u>

# Township of Bruce

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 1,071,951	\$ -	\$ -	\$ 27,168
Public safety	1,955,093	592,787	-	2,983
Public works	110,100	45,388	-	-
Interest on long-term debt	22,526	-	-	-
Total governmental activities	3,159,670	638,175	-	30,151
Business-type activities - Sewer	306,061	217,599	-	-
Total primary government	<u>\$ 3,465,731</u>	<u>\$ 855,774</u>	<u>\$ -</u>	<u>\$ 30,151</u>

General revenues:  
 Property taxes  
 State-shared revenues  
 Unrestricted investment earnings  
 Miscellaneous  
 Loss on sale of assets

Total general revenues

## Change in Net Assets

**Net Assets** - Beginning of year

**Net Assets** - End of year

**Statement of Activities**  
**Year Ended March 31, 2007**

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,044,783)	\$ -	\$ (1,044,783)
(1,359,323)	-	(1,359,323)
(64,712)	-	(64,712)
<u>(22,526)</u>	<u>-</u>	<u>(22,526)</u>
(2,491,344)	-	(2,491,344)
<u>-</u>	<u>(88,462)</u>	<u>(88,462)</u>
(2,491,344)	(88,462)	(2,579,806)
1,919,670	-	1,919,670
434,044	-	434,044
209,861	86,189	296,050
213,409	-	213,409
<u>(13,139)</u>	<u>-</u>	<u>(13,139)</u>
<u>2,763,845</u>	<u>86,189</u>	<u>2,850,034</u>
272,501	(2,273)	270,228
<u>5,587,325</u>	<u>3,508,597</u>	<u>9,095,922</u>
<b><u>\$ 5,859,826</u></b>	<b><u>\$ 3,506,324</u></b>	<b><u>\$ 9,366,150</u></b>

# Township of Bruce

## Governmental Funds Balance Sheet March 31, 2007

	General Fund	Fire Fund	Advanced Life Support Fund	Romeo Service Contract Fund	2002 Special Assessment Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and investments (Note 2)	\$ 1,079,278	\$ 712,115	\$ 800,088	\$ 242,892	\$ 128,959	\$ 251,134	\$ 3,214,466
Receivables:							
Taxes	34,068	50,427	71,483	-	-	-	155,978
Special assessments	49,674	-	15,386	13,539	113,772	-	192,371
Contracts and other	3,667	1,073	5,413	1,342	285	67	11,847
Due from other funds (Note 5)	1,612	-	3,422	509	-	-	5,543
Due from other governmental units	122,206	-	-	-	-	-	122,206
Prepaid costs	8,707	12,712	15,436	8,957	-	-	45,812
<b>Total assets</b>	<b>\$ 1,299,212</b>	<b>\$ 776,327</b>	<b>\$ 911,228</b>	<b>\$ 267,239</b>	<b>\$ 243,016</b>	<b>\$ 251,201</b>	<b>\$ 3,748,223</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 186,319	\$ 3,622	\$ 10,171	\$ 6,459	\$ 63	\$ -	\$ 206,634
Accrued and other liabilities	22,068	20,019	22,272	14,978	-	-	79,337
Due to other funds (Note 5)	3,703	187	620	-	-	1,501	6,011
Deferred revenue (Note 3)	84,362	-	15,386	101,514	113,772	-	315,034
<b>Total liabilities</b>	<b>296,452</b>	<b>23,828</b>	<b>48,449</b>	<b>122,951</b>	<b>113,835</b>	<b>1,501</b>	<b>607,016</b>
<b>Fund Balances</b>							
Reserved for prepaid expenditures	8,707	12,712	15,436	8,957	-	-	45,812
Unreserved, reported in:							
General Fund:							
Designated for postretirement health care costs	100,000	-	-	-	-	-	100,000
Undesignated	894,053	-	-	-	-	-	894,053
Special Revenue Funds:							
Designated for cemetery perpetual care	-	-	-	-	-	8,185	8,185
Designated for postretirement health care costs	-	50,000	50,000	-	-	-	100,000
Designated for Romeo service contract	-	-	-	135,331	-	-	135,331
Undesignated	-	689,787	797,343	-	-	241,515	1,728,645
Capital Projects Funds - Designated for capital improvements	-	-	-	-	129,181	-	129,181
<b>Total fund balances</b>	<b>1,002,760</b>	<b>752,499</b>	<b>862,779</b>	<b>144,288</b>	<b>129,181</b>	<b>249,700</b>	<b>3,141,207</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,299,212</b>	<b>\$ 776,327</b>	<b>\$ 911,228</b>	<b>\$ 267,239</b>	<b>\$ 243,016</b>	<b>\$ 251,201</b>	<b>\$ 3,748,223</b>

# Township of Bruce

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## Governmental Funds Reconciliation of Fund Balances to the Statement of Net Assets Year Ended March 31, 2007

<b>Total Fund Balances for Governmental Funds</b>	\$ 3,141,207
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capitalized assets	\$ 6,487,219
Accumulated depreciation	<u>(3,387,812)</u> 3,099,407
Revenue related to receivables is reported in the statement of net assets at the time it is earned without regard to timeliness of remittance	227,059
Long-term liabilities are not due and payable in the current period and are not recorded in the funds	(605,624)
Accrued interest payable is not reported in the funds	<u>(2,223)</u>
<b>Total Net Assets of Governmental Activities</b>	<b><u>\$ 5,859,826</u></b>

# Township of Bruce

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2007

	Major Special Revenue Funds				Major Capital Project Fund		Total Governmental Funds
	General Fund	Fire Fund	Advanced Life Support Fund	Romeo Service Contract Fund	2002 Special Assessment Fund	Nonmajor Governmental Funds	
<b>Revenue</b>							
Property taxes	\$ 433,325	\$ 616,361	\$ 867,762	\$ -	\$ -	\$ -	\$ 1,917,448
Licenses and permits	45,971	-	-	-	-	-	45,971
Federal grants	16,125	2,983	-	-	-	-	19,108
State-shared revenue	415,842	-	-	-	-	-	415,842
Charges for services	-	73,002	80,508	439,277	-	-	592,787
Special assessments	40,426	-	4,947	4,234	33,422	-	83,029
Interest earned	131,613	22,100	24,198	11,265	5,383	419	194,978
Other	167,359	4,199	6,460	-	-	1,200	179,218
Total revenue	<u>1,250,661</u>	<u>718,645</u>	<u>983,875</u>	<u>454,776</u>	<u>38,805</u>	<u>1,619</u>	<u>3,448,381</u>
<b>Expenditures</b>							
Current:							
General government	512,772	-	-	-	-	-	512,772
Public safety	-	460,964	892,932	389,989	-	-	1,743,885
Public services	207,819	-	-	-	-	4,725	212,544
Employee benefits and insurance	233,865	-	-	-	-	-	233,865
Community and economic development	118,072	-	-	-	-	-	118,072
Capital outlay	44,634	46,672	12,730	-	-	-	104,036
Debt service	-	90,980	24,075	-	48,465	-	163,520
Total expenditures	<u>1,117,162</u>	<u>598,616</u>	<u>929,737</u>	<u>389,989</u>	<u>48,465</u>	<u>4,725</u>	<u>3,088,694</u>
<b>Net Change in Fund Balances</b>	133,499	120,029	54,138	64,787	(9,660)	(3,106)	359,687
<b>Fund Balances - Beginning of year</b>	<u>869,261</u>	<u>632,470</u>	<u>808,641</u>	<u>79,501</u>	<u>138,841</u>	<u>252,806</u>	<u>2,781,520</u>
<b>Fund Balances - End of year</b>	<u>\$ 1,002,760</u>	<u>\$ 752,499</u>	<u>\$ 862,779</u>	<u>\$ 144,288</u>	<u>\$ 129,181</u>	<u>\$ 249,700</u>	<u>\$ 3,141,207</u>

# Township of Bruce

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2007

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 359,687</b>
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 allocated over their estimated useful lives as depreciation	85,360
Depreciation is recorded as an expense in the statement of activities but not in the governmental funds	(265,565)
In the statement of activities, only the gain/loss on the sale of an asset is reported, whereas in the governmental funds, the proceeds from the sale are reported. Therefore, the change in net assets differs from the change in fund balance by the proceeds from the assets sold	(21,497)
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(23,958)
Revenue is reported in the statement of activities at the time it is earned, without regard to timeliness of collection	2,077
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	140,083
Accrued interest is recorded on debt when incurred in the statement of activities	938
Change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	<u>(4,624)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ 272,501</u></b>

# Township of Bruce

## Proprietary Fund - Enterprise - Sewer Fund Statement of Net Assets March 31, 2007

### Assets

#### Current assets:

Cash and cash equivalents (Note 2)	\$ 828,132
Receivables - Customers	48,378
Receivables - Other	8,592
Due from other funds	<u>468</u>

Total current assets 885,570

#### Noncurrent assets:

Restricted assets (Note 6)	286,782
Capital assets (Note 4):	
Nondepreciable capital assets	3,081,966
Depreciable capital assets	<u>2,698,105</u>

Total noncurrent assets 6,066,853

Total assets 6,952,423

### Liabilities

#### Current liabilities:

Accounts payable	50,043
Construction payable	53,815
Accrued and other liabilities	991
Current portion of long-term debt (Note 7)	<u>25,000</u>

Total current liabilities 129,849

Noncurrent liabilities - Long-term debt (Note 7) 3,316,250

Total liabilities 3,446,099

### Net Assets

Investment in capital assets - Net of related debt	2,725,603
Unrestricted	<u>780,721</u>

Total net assets \$ 3,506,324

# Township of Bruce

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## Proprietary Fund - Enterprise - Sewer Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2007

<b>Operating Revenue - Charges for services</b>	\$ 217,599
<b>Operating Expenses</b>	
Cost of sewage disposal	116,692
Operation and maintenance	25,108
General and administrative	37,894
Depreciation and amortization	<u>69,324</u>
Total operating expenses	<u>249,018</u>
<b>Operating Loss</b>	(31,419)
<b>Nonoperating Revenue (Expense)</b>	
Interest income	86,189
Interest expense	<u>(57,043)</u>
Total nonoperating revenue	<u>29,146</u>
<b>Change in Net Assets</b>	(2,273)
<b>Net Assets - Beginning of year</b>	<u>3,508,597</u>
<b>Net Assets - End of year</b>	<u><u>\$ 3,506,324</u></u>

# Township of Bruce

## Proprietary Fund - Enterprise - Sewer Fund Statement of Cash Flows Year Ended March 31, 2007

<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 210,657
Payments to suppliers	(184,823)
Other disbursements	<u>(468)</u>
Net cash provided by operating activities	25,366
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchase of capital assets	(1,598,739)
Principal and interest paid on debt	<u>(57,043)</u>
Net cash used in capital and related financing activities	(1,655,782)
<b>Cash Flows from Investing Activities</b> - Interest received on investments	<u>86,189</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(1,544,227)
<b>Cash and Cash Equivalents</b> - Beginning of year	<u>2,659,141</u>
<b>Cash and Cash Equivalents</b> - End of year	<u><b>\$ 1,114,914</b></u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>	
Cash and cash equivalents	\$ 828,132
Restricted assets	<u>286,782</u>
Total	<u><b>\$ 1,114,914</b></u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>	
Operating loss	\$ (31,419)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation and amortization	69,324
Changes in assets and liabilities:	
Receivables	(6,942)
Due from other funds	(468)
Accounts payable	(5,732)
Accrued and other liabilities	<u>603</u>
Net cash provided by operating activities	<u><b>\$ 25,366</b></u>

There were no noncash capital, financing, or investing activities during the year.

# Township of Bruce

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## Fiduciary Funds Statement of Assets and Liabilities - Agency Funds March 31, 2007

### Assets

Cash and cash equivalents	\$ 226,365
Receivables - Contracts and other	6,732
Due from other governmental units	<u>74,346</u>

Total assets **\$ 307,443**

### Liabilities

Due to other governmental units	\$ 123,777
Accrued and other liabilities	88,918
Deposits	<u>94,748</u>

Total liabilities **\$ 307,443**

## **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Township of Bruce (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Bruce:

### **Reporting Entity**

The Township is governed by an elected, five-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are a part of the Township's operations.

**Blended Component Units** - The Building Authority is governed by a board that is appointed by the Township's board. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings.

The Township's Economic Development Corporation and Hospital Finance Authority have no financial activity and, therefore, are excluded from the Township's basic financial statements.

### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

## **Note 1 - Summary of Significant Accounting Policies (Continued)**

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

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

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 Fund** - The Fire Fund accounts for fire safety and protection services/activities within the Township. Funding is provided primarily through a local property tax levy.

## **Note I - Summary of Significant Accounting Policies (Continued)**

**Advanced Life Support Fund** - The Advanced Life Support Fund accounts for emergency medical response services/activities within the Township. Funding is provided primarily through a local property tax levy and a user charge for ambulance services.

**Romeo Service Contract Fund** - The Romeo Service Contract Fund accounts for fire safety and protection services/activities within the Village of Romeo. Funding is provided primarily through user charges charged to the Village of Romeo.

**2002 Special Assessment Fund** - The 2002 Special Assessment Fund accounts for the construction activities related to a Township paving project and is funded by the residents receiving the benefit of the paving project.

The Township reports the following major Enterprise Fund:

**Sewer Fund** - The Sewer Fund accounts for the activities of the sewage and storm water collection system. Funding is primarily through user charges.

Additionally, the Township reports the following fund type:

**Agency Funds** - The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

# Township of Bruce

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## Notes to Financial Statements March 31, 2007

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Township's policy is to first apply restricted resources.

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

#### **Property Tax Revenue**

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2005 tax is levied and collectible on December 1, 2006 and is recognized as revenue in the year ended March 31, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of the Township totaled \$499.8 million, on which taxes levied consisted of 0.7914 mills for operating purposes. This resulted in \$394,164 for operating, which is recognized in the General Fund as tax revenue. The 2006 taxable valuation of the Township, excluding property within the Village of Romeo, totaled \$314.8 million, on which taxes levied consisted of 1.94 mills for fire services and 2.75 mills for advanced life support services. This resulted in \$610,810 for fire services and \$865,838 for advanced life support services. These amounts are recognized in the respective Special Revenue Funds as tax revenue.

#### **Assets, Liabilities, and Net Assets or Equity**

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

# Township of Bruce

## Notes to Financial Statements March 31, 2007

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** - Capital assets, which include property, buildings, equipment, furniture and fixtures, vehicles, and sewer systems, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 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:

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

**Compensated Absences** - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

# Township of Bruce

## Notes to Financial Statements March 31, 2007

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, 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. 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 recognized 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 Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**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.

The Township tracks the results of building department operations in the General Fund. In accordance with Michigan Public Act 245 of 1999 (the "Act"), the Township is required to maintain an accounting system that separately accumulates revenue and expenditures related to the building department function. As required under provisions of the Act, the Township adopted this accounting treatment effective January 1, 2000. A summary of the activity since January 1, 2000 is as follows:

Accumulated expenditures over revenue - April 1, 2006	\$ (340,135)
2006-2007 building department activity:	
Current year revenue	45,721
Current year expenditures	<u>(105,375)</u>
Excess of expenditures over revenue	<u>(59,654)</u>
Accumulated expenditures over revenue - March 31, 2007	<u><u>\$ (399,789)</u></u>

## **Note 2 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Township has designated nine banks for the deposit of its funds.

The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

### **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 \$2,536,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the 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.

# Township of Bruce

## Notes to Financial Statements March 31, 2007

### Note 2 - Deposits and Investments (Continued)

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

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pools	\$ 501,506	AI - AAA	Standard and Poor's
Bank investment pools	1,007,509	Nonrated	

### Note 3 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds and governmental activities also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Romeo service contract	\$ -	\$ 87,975	\$ 87,975
Special assessments	192,371	-	192,371
State-shared revenue	34,688	-	34,688
Total	<u>\$ 227,059</u>	<u>\$ 87,975</u>	<u>\$ 315,034</u>

# Township of Bruce

## Notes to Financial Statements March 31, 2007

### Note 4 - Capital Assets

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

	Balance April 1, 2006	Additions	Disposals and Adjustments	Balance March 31, 2007
<b>Governmental Activities</b>				
Capital assets not being depreciated -				
Land	\$ 680,770	\$ -	\$ -	\$ 680,770
Capital assets being depreciated:				
Buildings	3,386,902	-	-	3,386,902
Fire vehicles and equipment	2,182,730	58,192	32,245	2,208,677
Machinery and equipment	150,902	-	-	150,902
Election equipment	32,800	27,168	-	59,968
Total	5,753,334	85,360	32,245	5,806,449
Accumulated depreciation:				
Buildings	1,590,111	92,220	-	1,682,331
Fire vehicles and equipment	1,414,786	151,806	10,748	1,555,844
Machinery and equipment	95,298	20,181	-	115,479
Election equipment	32,800	1,358	-	34,158
Total	3,132,995	265,565	10,748	3,387,812
Net capital assets being depreciated	2,620,339	(180,205)	21,497	2,418,637
Net capital assets	<u>\$ 3,301,109</u>	<u>\$ (180,205)</u>	<u>\$ 21,497</u>	<u>\$ 3,099,407</u>
<b>Business-type Activities</b>				
Capital assets not being depreciated -				
Construction in progress	\$ 1,955,296	\$ 1,126,670	\$ -	\$ 3,081,966
Capital assets being depreciated:				
Sewer system	3,959,568	-	-	3,959,568
Accumulated depreciation	1,192,139	69,324	-	1,261,463
Net capital assets being depreciated	2,767,429	(69,324)	-	2,698,105
Net capital assets	<u>\$ 4,722,725</u>	<u>\$ 1,057,346</u>	<u>\$ -</u>	<u>\$ 5,780,071</u>

# Township of Bruce

## Notes to Financial Statements March 31, 2007

### Note 4 - Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 113,759
Fire services		<u>151,806</u>
Total governmental activities		<u>\$ 265,565</u>
Business-type activities - Sewer		<u>\$ 69,324</u>

### Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
Governmental activities:		
General Fund	Advanced Life Support Fund	\$ 111
General Fund	Nonmajor governmental funds	1,501
Advanced Life Support Fund	General Fund	3,235
Advanced Life Support Fund	Fire Fund	187
Romeo Service Contract Fund	Advanced Life Support Fund	<u>509</u>
Total governmental activities		5,543
Sewer Fund	General Fund	<u>468</u>
Total		<u>\$ 6,011</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

### Note 6 - Restricted Assets

The business-type activities' restricted cash and cash equivalents are comprised of unspent bond proceeds in the Sewer Fund that are required to be set aside for construction.

# Township of Bruce

## Notes to Financial Statements March 31, 2007

### Note 7 - Long-term Debt

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

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
Installment purchase agreements:							
2002 Huntington National Bank Fire Truck Loan:							
Amount of issue: \$300,000		\$62,361 -					
Maturing through February 11, 2007	4.00%	\$64,862	\$ 64,892	\$ -	\$ (64,892)	\$ -	\$ -
Fire Station Loan:							
Amount of issue: \$400,000		\$24,481 -					
Maturing through October 1, 2012	3.86%	\$46,322	274,172	-	(35,191)	238,981	39,601
Special assessment bonds - 2002 Limited tax bonds:							
Amount of issue: \$375,000	3.40%	\$35,000 -					
Maturing through February 1, 2012	3.70%	\$40,000	235,000	-	(40,000)	195,000	40,000
Total governmental activities debt outstanding			574,064	-	(140,083)	433,981	79,601
Other long-term obligations - Compensated absences			167,019	86,817	(82,193)	171,643	19,368
Total governmental activities			741,083	86,817	(222,276)	605,624	98,969
<b>Business-type Activities</b>							
General obligation bonds - 2004 Improvement Bonds:							
Amount of issue: \$3,375,000	4.15%	\$25,000 -					
Maturing through October 1, 2033	5.30%	\$200,000	3,375,000	-	-	3,375,000	25,000
Less unamortized discount on issuance			(33,750)	-	-	(33,750)	-
Total business-type activities			3,341,250	-	-	3,341,250	25,000
Total governmental and business-type activities			\$ 4,082,333	\$ 86,817	\$ (222,276)	\$ 3,946,874	\$ 123,969

# Township of Bruce

## Notes to Financial Statements March 31, 2007

### Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 79,601	\$ 15,530	\$ 95,131	\$ 25,000	\$ 164,350	\$ 189,350
2009	79,601	14,170	93,771	50,000	162,363	212,363
2010	82,843	9,568	92,411	50,000	159,713	209,713
2011	83,220	5,131	88,351	50,000	157,063	207,063
2012	108,716	3,536	112,252	75,000	153,750	228,750
2013-2017	-	-	-	450,000	705,413	1,155,413
2018-2022	-	-	-	600,000	585,925	1,185,925
2023-2027	-	-	-	775,000	424,550	1,199,550
2028-2032	-	-	-	900,000	216,756	1,116,756
2033-2034	-	-	-	400,000	20,200	420,200
Total	<u>\$ 433,981</u>	<u>\$ 47,935</u>	<u>\$ 481,916</u>	<u>\$ 3,375,000</u>	<u>\$ 2,750,083</u>	<u>\$ 6,125,083</u>

### Note 8 - Joint Ventures

The Township is a member of four joint ventures:

- Romeo-Washington-Bruce Parks and Recreation (R.W.B.P.R.)
- Senior Transportation through Advanced Reservation (S.T.A.R.)
- Romeo-Washington-Bruce Tri-Community Cable Communications Commission
- Romeo District Library

The joint ventures' governing boards are comprised of appointed members from each participating municipality. The Township appoints three members to each of the R.W.B.P.R.'s and S.T.A.R.'s governing boards, two members to the Tri-Community Cable Communications Commission governing board, and one member to the Romeo District Library board. The boards then approve the annual budgets.

The principal revenue sources of R.W.B.P.R., S.T.A.R., and the Romeo District Library are user fees and a voted property tax. The principal revenue source for the Tri-Community Cable Communications Commission is appropriations from the three communities that are equal to the fees paid to the communities by the cable operator.

## **Note 8 - Joint Ventures (Continued)**

The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. There is no definable equity interest in any of these joint ventures. Complete financial statements for the joint ventures can be obtained from the administrative offices at 223 East Gates Street, Romeo, Michigan.

## **Note 9 - Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for all such risks. Settled claims relating to insurance plans have not exceeded the amount of insurance coverage in any of the past three fiscal years.

## **Note 10 - Defined Contribution Retirement Plan**

The Township provides pension benefits to all of its full-time employees and part-time firefighters through a defined contribution plan. 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 of part-time employees' base earnings. In accordance with these requirements, the Township contributed \$173,596 and the employees contributed \$36,790 during the current year.

## **Note 11 - Accounting and Reporting Changes**

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2010.

## **Required Supplemental Information**

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# Township of Bruce

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2007

	Original Budget	Amended Budget	Actual
<b>Revenues</b>			
Property taxes	\$ 420,000	\$ 420,000	\$ 433,325
Licenses and permits	53,345	53,345	45,971
Federal grants	-	-	16,125
State sources	448,721	448,721	415,842
Special assessments	-	-	40,426
Interest income	67,984	67,984	131,613
Other	109,264	109,264	167,359
Total revenues	1,099,314	1,099,314	1,250,661
<b>Expenditures</b>			
General government:			
Township board	30,775	30,775	24,728
Township supervisor	45,100	45,100	45,100
Elections	56,427	56,427	62,071
Assessing	119,020	119,020	117,873
Legal fees	27,000	52,000	31,853
Township clerk	45,100	46,900	46,900
General office	73,725	73,725	48,885
Accounting and audit	75,498	75,498	71,486
Board of Review	750	750	1,700
Tax roll preparation	15,596	15,596	4,971
Township treasurer	45,100	46,350	57,205
Public services:			
Zoning Board of Appeals	4,500	4,500	325
Cemeteries	9,700	9,700	11,640
Township hall	29,650	32,850	32,412
Inspections	124,307	124,307	105,375
Street lighting	8,550	8,550	9,554
Engineering	12,000	23,000	21,312
Planning	18,200	18,200	20,003
Ordinance enforcement	5,500	5,500	7,198
Employee benefits and insurance:			
Insurance and other	134,883	141,683	136,590
Pension plan	63,000	63,000	58,303
Employer payroll taxes	42,000	42,000	38,972
Capital outlay and other:			
Road chloride and paving	5,365	5,365	11,625
Capital outlay	22,000	22,000	44,634
Cable TV studio	51,430	51,430	106,447
Total expenditures	1,065,176	1,114,226	1,117,162
<b>Net Change in Fund Balance</b>	34,138	(14,912)	133,499
<b>Fund Balance - Beginning of year</b>	869,261	869,261	869,261
<b>Fund Balance - End of year</b>	<b>\$ 903,399</b>	<b>\$ 854,349</b>	<b>\$ 1,002,760</b>

# Township of Bruce

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Fire Fund Year Ended March 31, 2007

	Original Budget	Amended Budget	Actual
<b>Revenues</b>			
Current taxes	\$ 564,590	\$ 564,590	\$ 616,361
Federal sources	-	-	2,983
Charges for services	50,000	50,000	73,002
Interest earned	3,000	3,000	22,100
Other local revenue	-	-	4,199
Total revenues	617,590	617,590	718,645
<b>Expenditures</b>			
Public safety	474,600	483,600	460,964
Capital outlay	26,690	48,690	46,672
Debt service	91,300	91,300	90,980
Total expenditures	592,590	623,590	598,616
<b>Net Change in Fund Balance</b>	25,000	(6,000)	120,029
<b>Fund Balance - Beginning of year</b>	632,470	632,470	632,470
<b>Fund Balance - End of year</b>	<u>\$ 657,470</u>	<u>\$ 626,470</u>	<u>\$ 752,499</u>

# Township of Bruce

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Advanced Life Support Fund Year Ended March 31, 2007

	Original Budget	Amended Budget	Actual
<b>Revenues</b>			
Current taxes	\$ 800,322	\$ 800,322	\$ 867,762
Charges for services	55,000	55,000	80,508
Special assessments	-	-	4,947
Interest earned	3,000	3,000	24,198
Other local revenue	-	-	6,460
	<u>858,322</u>	<u>858,322</u>	<u>983,875</u>
Total revenues	858,322	858,322	983,875
<b>Expenditures</b>			
Public safety	799,400	820,000	892,932
Capital outlay	6,922	12,922	12,730
Debt service	27,000	27,000	24,075
	<u>833,322</u>	<u>859,922</u>	<u>929,737</u>
Total expenditures	833,322	859,922	929,737
<b>Net Change in Fund Balance</b>	25,000	(1,600)	54,138
<b>Fund Balance - Beginning of year</b>	<u>808,641</u>	<u>808,641</u>	<u>808,641</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 833,641</u></u>	<u><u>\$ 807,041</u></u>	<u><u>\$ 862,779</u></u>

# Township of Bruce

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Romeo Service Contract Fund Year Ended March 31, 2007

	Original Budget	Amended Budget	Actual
<b>Revenues</b>			
Charges for services	\$ 423,700	\$ 423,700	\$ 439,277
Special assessments	-	-	4,234
Interest earned	<u>3,000</u>	<u>3,000</u>	<u>11,265</u>
Total revenues	426,700	426,700	454,776
<b>Expenditures - Public safety</b>	<u>426,700</u>	<u>440,700</u>	<u>389,989</u>
<b>Net Change in Fund Balance</b>	-	(14,000)	64,787
<b>Fund Balance - Beginning of year</b>	<u>79,501</u>	<u>79,501</u>	<u>79,501</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 79,501</u></u>	<u><u>\$ 65,501</u></u>	<u><u>\$ 144,288</u></u>

# Township of Bruce

## Note to Required Supplemental Information March 31, 2007

### Note - Budgetary Information

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all Major Special Revenue Funds except that operating transfers have been included in the “revenue” and “expenditures” categories, rather than as “other financing sources (uses).” All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the fund level and is the classification detail at which expenditures may not legally exceed appropriations.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the Township of Bruce incurred expenditures that were in excess of the amounts budgeted, as follows:

	Amended	
	Budget	Actual
General Fund:		
Elections	\$ 56,427	\$ 62,071
Board of Review	750	1,700
Township treasurer	46,350	57,205
Cemeteries	9,700	11,640
Street lighting	8,550	9,554
Planning	18,200	20,003
Ordinance enforcement	5,500	7,198
Road chloride and paving	5,365	11,625
Capital outlay	22,000	44,634
Cable TV studio	51,430	106,447
Advanced Life Support Fund - Public safety	820,000	892,932

## **Other Supplemental Information**

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# Township of Bruce

## Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds March 31, 2007

	Special Revenue Funds		Debt Service Fund	Total
	Improvement Revolving	McCafferty Cemetery	Debt Service	Nonmajor Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 242,982	\$ 8,152	\$ -	\$ 251,134
Receivables - Other	34	33	-	67
Total assets	<b><u>\$ 243,016</u></b>	<b><u>\$ 8,185</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 251,201</u></b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b> - Due to other funds	\$ 1,501	\$ -	\$ -	\$ 1,501
<b>Fund Balances</b> - Unreserved				
McCafferty Cemetery - Designated for cemetery perpetual care	-	8,185	-	8,185
Undesignated	241,515	-	-	241,515
Total fund balances	<u>241,515</u>	<u>8,185</u>	<u>-</u>	<u>249,700</u>
Total liabilities and fund balances	<b><u>\$ 243,016</u></b>	<b><u>\$ 8,185</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 251,201</u></b>

# Township of Bruce

## Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended March 31, 2007

	Special Revenue Funds		Debt Service Fund	Total Nonmajor Governmental Funds
	Improvement Revolving	McCafferty Cemetery	Debt Service	
<b>Revenue</b>				
Interest earned	\$ -	\$ 419	\$ -	\$ 419
Other	-	1,200	-	1,200
Total revenue	-	1,619	-	1,619
<b>Expenditures - Public services</b>	-	4,725	-	4,725
<b>Net Change in Fund Balances</b>	-	(3,106)	-	(3,106)
<b>Fund Balances - Beginning of year</b>	241,515	11,291	-	252,806
<b>Fund Balances - End of year</b>	<u>\$ 241,515</u>	<u>\$ 8,185</u>	<u>\$ -</u>	<u>\$ 249,700</u>

# Township of Bruce

## Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds March 31, 2007

	Agency Funds		
	Current Tax	Trust and Agency	Total
<b>Assets</b>			
Cash and investments	\$ -	\$ 226,365	\$ 226,365
Receivables - Contracts and other	4,455	2,277	6,732
Due from other governmental units	-	74,346	74,346
Total assets	<u>\$ 4,455</u>	<u>\$ 302,988</u>	<u>\$ 307,443</u>
<b>Liabilities</b>			
Due to other governmental units	\$ 4,376	\$ 119,401	\$ 123,777
Accrued and other liabilities	79	88,839	88,918
Deposits	-	94,748	94,748
Total liabilities	<u>\$ 4,455</u>	<u>\$ 302,988</u>	<u>\$ 307,443</u>



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June 29, 2007

To the Board of Trustees  
Township of Bruce  
223 East Gates  
Romeo, MI 48065

Dear Board Members:

We have recently completed our audit of the Township of Bruce's (the "Township") financial statements for the year ended March 31, 2007. We offer the following items for your consideration as the policy-making body of the Township.

### **New Cable Franchise Legislation**

The governor signed cable franchise legislation (House Bill 6456) into law effective January 1, 2007. The new law (Public Act 480 of 2006) creates the Uniform Video Services Local Franchise Act which provides a statewide framework for franchising agreements instead of individual community agreements. This Act requires video service providers to obtain a local franchise, good for 10 years, from the franchising entity (the local unit of government). As part of the local franchise, the provider is required to pay an annual video service provider fee, not to exceed 5 percent of gross revenue, as well as an annual fee for the costs of the PEG access facilities, not to exceed 2 percent of gross revenue. The Act allows providers to terminate the current franchise contracts before their expiration date in order to enter into this new local franchise agreement under the statewide framework.

It was expected that local governments would receive their first payment under the new Act beginning in May 2007. We strongly encourage you to review this payment compared to payments previously received and follow up with your provider as required.

### **Retiree Health Care Benefits**

As you are aware, the Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, which will be effective for the Township's 2009 fiscal year. The pronouncement provides guidance for local units of government in recognizing the cost of retiree health care benefits. The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid.



The promise to provide health care to retirees is very similar to the promise to provide an annual pension check. Similar to reporting for pension plans, GASB 45 requires the Township to compute the estimated liability to provide retiree health care benefits to current employees as well as those already retired. Based upon the size of the Township's health care plan, less than 100 participants, GASB 45 allows Township personnel to compute the liability or obtain a triennial actuarial valuation.

In addition, the Township's funding status, meaning the progress it has made in accumulating assets to pay for this liability, will be disclosed in the financial statements. If the Township chooses to retain an actuary, the actuary will determine an annual required contribution necessary to fund the liability over a 30-year period or the Township will need to estimate this annual contribution. The Township will need to consider this increased cost for budgeting purposes since the annual payments will not only include the cost of current health insurance premiums for retirees, which currently includes only one retiree, but also contributions to a pre-funding plan.

The Township has proactively set aside funds for this liability by designating portions of the fund balance in the General Fund and Advanced Life Support Fund. The Township has the option of implementing Act 149 of 1999 for funding the retiree health care fund in order to invest these monies in accordance with the Public Employees Retirement Investment Act. Over a long period, this should significantly reduce the burden of funding retiree health care. There are some stipulations that come with the legislation, such as a prohibition against using the funds in the future for anything other than retiree health care.

### **New Auditing Standards**

The American Institute of Certified Public Accountants issued several new Statements on Auditing Standards (SAS) during 2006 that will be effective for the Township's 2008 audit. These new standards (SAS 104 through 111) are collectively referred to as the "Risk Assessment" audit standards because they will substantially affect the auditing process by enhancing the auditor's application of audit risk assessment. The new standards require auditors to perform the following:

- Obtain a more in-depth understanding of the Township and its internal control environment to identify the risks of material misstatement in the financial statements and what the Township is doing to mitigate them
- Perform a more rigorous assessment of the risks of material misstatement of the financial statements based on that understanding
- Improve the linkage between the assessed risks and the nature, timing, and extent of audit procedures performed in response to those risks

While Plante & Moran, PLLC has historically used a risk-based audit approach with audit programs that are tailored to each client, the new standards will require some revision to our approach and documentation. We are currently in the process of updating our audit programs and processes to comply with the new standards. We will continue to keep you apprised of the practical implications these changes will have on your accounting department in their preparation for our audit.

## **Internal Control Matters**

Beginning with this year's audit, national auditing standards now call for auditors to communicate matters to the governing body that may be useful to you in your oversight of the Township's financial management. Specifically, they require us to report internal control issues to you that may be relatively minor, in order to allow you to evaluate their significance and make any changes you may deem appropriate. The purpose of these new standards is to allow you an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this new report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the Township of Bruce as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing 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 Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness:

**Accrual Adjustments** - During the audit, we generally provide significant assistance in identifying and posting accrual adjustments to the accounting records. Accruals represent any adjustments other than cash that impact the accounting records (capitalization of interest in full accrual funds such as the interest associated with the sewer expansion project, capital assets (including the recording of additions, depreciation expense, and disposals), long-term debt, employee compensated absences, special assessment revenue recognition, etc.). We are pleased to assist in this process - our auditors have expertise in accrual adjustments and can generally assist in a very cost-efficient manner. However, we bring this to your attention since it meets the above definition of a matter to be communicated and to allow you to evaluate whether we are, in fact, the most cost-effective method of assisting in closing the books (as opposed to a second service provider, etc.).

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

**Accounting for Special Assessments** - During our audit, we noted that the Township inadvertently recorded additional interest revenue associated with certain special assessment districts and recorded deferred revenue relating to cash receipts received within 60 days of March 31, 2007 that should have been recognized as revenue during the year. The proper recording of special assessment activity will assist the Township in its budgeting process and ensure its compliance with all statutory requirements. We would be happy to assist the Township in developing a procedure to properly record all special assessment transactions.

#### **Other Item - Sewer Expansion Project**

We believe that the Township should continue considering the following item related to the sewer expansion project that was noted in the prior year management letter dated June 8, 2006:

It is our understanding, based on discussions with Township personnel, that a budget for the sewer expansion project is currently unavailable. The Township should continue reviewing the billings from the Village of Romeo to ensure that it is in accordance with budgeted amounts discussed and that any change orders approved by the Village of Romeo are necessary and reasonable and will provide a benefit to the Township.

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

To the Board of Trustees  
Township of Bruce

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June 29, 2007

We thank the board for the opportunity to serve as the Township's auditors. We also express our appreciation to Ms. Brockmann, her department, and the entire administration for the courtesy and cooperation extended to us during the course of the engagement. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Very truly yours,

**Plante & Moran, PLLC**



Christina M. Kostiuk



Thomas J. Clement